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Japan Reduces Surplus

But April Result Includes Sharp Rise in Exports

Review
 TOKYO — Japan reported Friday that it had reduced its trade surplus for the 12th consecutive month in April, but economists said further reductions would be more difficult to make because of a sharp rise in exports.

The Ministry of Finance said in a preliminary report that the merchandise trade surplus, on a customs-cleared basis and without adjustment for seasonal variations, dropped to \$6.75 billion in April from \$7.54 billion a year earlier.

The April surplus also was reduced from the \$7.46 billion reported in March.

Although imports shot up 31 percent from April 1987, economists said they were worried by a sharp 15 percent increase in exports. Imports rose to \$15.67 billion from \$11.96 billion, while exports grew to \$22.42 billion from \$19.50 billion a year earlier.

The seasonally adjusted surplus was \$6.35 billion, down slightly from \$6.55 billion in March. Japan's trading partners have been pressing the country to cut its surplus to help put world trade back into better balance.

Japan reported another shrinking in its trade surplus with the United States, to \$4.13 billion from \$5.13 billion a year earlier. Exports were off 1.5 percent, to \$7.34 billion, while imports grew 39.7 percent to \$3.21 billion, the Finance Ministry said.

The United States is Japan's leading trading partner, and the yen's strong advance against the dollar since 1985 has made U.S. made products less expensive in Japan and tended to make Japan's exports more competitive.

See TRADE, Page 11



TURMOIL AT TEMPLE MOUNT — Palestinians fleeing a charge by Israeli policemen Friday at the Temple Mount in Jerusalem on the final sabbath of the Moslem holy month of Ramadan. Two policemen and 15 Arabs were reported injured in the violence, which started as Moslems demonstrated after leaving the Al Aqsa mosque, hurling stones at a police station.

Ramadan. Two policemen and 15 Arabs were reported injured in the violence, which started as Moslems demonstrated after leaving the Al Aqsa mosque, hurling stones at a police station.

Syrians Slay 5 In Militia

Pro-Iran Fighters Had Seized Road To Beirut Airport

Review
 BEIRUT — Syrian troops shot and killed five pro-Iranian militiamen on Friday after the militiamen pushed out of Beirut's southern suburbs and seized a post controlling the main airport road.

According to security sources and witnesses, the Hezbollah fighters were shot after they captured positions held by the pro-Syrian Amal militia and moved to within a few meters of Syrian checkpoints.

Syrian troops had previously taken no part in the battles that erupted last week for control of the southern suburbs.

But Brigadier Ali Hammoud, the head of Syrian observers in Lebanon, had warned that the Syrians would "eradicate any militia presence" in areas under Syrian control.

A Hezbollah spokesman confirmed the shooting but said he had no details on what had caused it.

Syrian troops moved into most of Western Beirut on Feb. 22, 1987, in an attempt to end militia battles and halt kidnappings and kidnappings. However, they kept out of the southern suburbs.

At least 163 people have been killed and more than 550 wounded in the battles between the pro-Syrian Amal militia and fighters of Hezbollah, or Party of God, the militant pro-Iranian group that gained control of more than 80 percent of the southern suburbs in fierce battles on Wednesday.

Hezbollah's advance out of the suburbs gave its fighters control over the route from Beirut to south Lebanon and the airport, the only public air link between Lebanon and the outside world.

Witnesses and security sources said that Hezbollah fighters tore Lebanese flags from government buildings and replaced them with Iranian flags during their offensive on Friday.

Amal confirmed that Hezbollah had captured its post on the airport road adjacent to the suburbs, 41-square-kilometers (16-square-miles) of slums that are a stronghold of Lebanon's Shiite Moslems.

A Lebanese Army soldier from See LEBANON, Page 2



President François Mitterrand, right, with Prime Minister Michel Rocard, left, and Education Minister Lionel Jospin on Friday.

Rocard Sees a Need To Hold Elections

By Joseph Fitchett
International Herald Tribune

PARIS — France appeared headed for legislative elections in June as Prime Minister Michel Rocard said Friday that he urgently needed a stable majority in Parliament to broaden what is now a Socialist-led minority government.

He indicated that President François Mitterrand could announce a decision as early as Saturday on whether or not to dissolve Parliament and hold elections.

If a vote produced a Socialist majority, Mr. Rocard said, his government still intended to seek an opening to the political center to "modernize France politically" by transcending the traditional left-right division to form a broad Socialist-led consensus.

Implicitly acknowledging that the timing of elections would give

the Socialists a tactical advantage, Mr. Rocard said that a Socialist majority could be "a defensive weapon, the less used the better." The whole Socialist Party, he affirmed, was committed to a strategy of trying to work with center-right factions to produce more moderation in French politics.

But he said, "it would take a lot of time" to rally centrists now, and France could not afford it.

Mr. Rocard pledged that any Socialist-led government that emerged from legislative elections would contain different cabinet ministers from his just-formed government, which has veteran Socialists in the prominent positions.

Opinion polls in the past week indicated that most people favored elections and that the Socialists would get an absolute majority.

The Fifth Republic has consistently produced a president and parliamentary majority from the same party. An exceptional situation prevailed after the Socialists lost parliamentary elections in 1986 and Mr. Mitterrand shared power with Prime Minister Jacques Chirac, a conservative, until the presidential contest between the two men last Sunday.

Parliamentary elections at this time are viewed as a threat by center-right politicians, who are struggling to restore unity in their ranks after the unexpected strong challenge by Jean-Marie Le Pen, leader of the extreme right, pushed some center-right voters to support Mr. Mitterrand.

If a vote were held now, most conservative candidates would face the risk of a three-way split among Gaullists, centrists and Mr. Le Pen's National Front, which is strongly implanted in many industrial areas where the size of the immigrant community is an issue.

Some center-right candidates could be expected to make an alliance with the Socialists.

See FRANCE, Page 2

Biologists Unravel a 2d Genetic Code

By Boyce Rensberger
Washington Post Service

WASHINGTON — Molecular biologists at the Massachusetts Institute of Technology have discovered the nature of a second genetic code and how it functions in all living cells alongside the well-known first genetic code, which was deciphered in the 1960s.

Scientists had known for decades that a second such code must exist, but none could determine how it worked. The MIT discovery reveals the nature of the code's language but has not deciphered it fully.

Christian de Duve, a cell biologist and Nobel laureate, hailed the

findings as highly significant and said the second code, simpler than the first, may have been its evolutionary predecessor. If further study confirms this speculation, the discovery could lead to important new insights about how life began.

"We're very excited about it," said Paul Schimmel, an MIT biology professor who found the second code. Mr. Schimmel and Ya-Ming Hou, a doctoral student in his lab, reported the discovery on Thursday in the British journal Nature.

"We think there are going to be implications in several areas from the evolutionary standpoint to the

appreciation of a new kind of biological logic," Mr. Schimmel said. He said the logic of the second code, which involves both the types of molecules and their position in a larger molecular structure, could have application in development of new logic for computers.

"Here's an example of nature's logic," he said. "As we work it out, it may be instructive as we design new systems for computers. Nature's logic is simple, but it's also profound and has a powerful logical capability."

The discovery also may shed new light on the causes of some diseases. Part of the research that led

to the discovery involved modifications of the code that caused genetic messages, written in the first code, to be carried out with numerous errors.

It is conceivable, Mr. Schimmel said, that if comparable modifications happened in human cells, they could lead to a wide range of bizarre pathological conditions.

The second code plays its role only at one specific step in the longer sequence of steps by which the first code causes its instructions, called genes, to be followed.

The discovery answers a long-

See GENE, Page 3

Japan Official Resigns Over Remarks on War

By Patrick L. Smith
International Herald Tribune

TOKYO — Seisuke Okuno, the cabinet minister whose assessment of Japan's wartime role has been acutely embarrassing the Japanese government at home and abroad, resigned Friday amid mounting parliamentary pressure and deepening divisions within the governing Liberal Democratic Party.

In an effort to reduce the diplomatic damage Mr. Okuno may have caused, a formal statement on the matter is to be delivered to China and South Korea, officials said Friday evening. Prime Minister Noboru Takeshita will send special envoys to both nations, they said.

Mr. Okuno's resignation is likely to defuse the most serious crisis Mr. Takeshita has faced since assuming office in November, political analysts said. At the same time, the issue has underscored a deep sense of confusion among Japanese leaders as to how resurgent nationalist impulses should be expressed, these sources added.

Mr. Okuno, who headed the National Land Agency and was among the most prominent mem-

bers of the Takeshita cabinet, set off a political controversy in April by asserting that Japan was not an aggressor in World War II but a defender of Asia against "the white race." The issue flared again Tuesday when Mr. Okuno said the incident that sparked the Chinese-Japanese War in 1937 was unintentional.

While China has stopped short of any official demand for action against Mr. Okuno, the governing Democratic Justice Party in South Korea asked Friday for a government apology.

China and South Korea both were subject to Japanese military occupation for varying periods until 1945.

Foreign Ministry officials clearly have been concerned that Mr. Okuno's statements may affect a visit to Beijing that Mr. Takeshita is to make in August. Nonetheless, the prime minister has been cautious in his criticism of Mr. Okuno, reflecting the apparent strength of Mr. Okuno's support in both the party and the government.

Mr. Takeshita made no public statements Friday. Earlier, he had



Seisuke Okuno leaving the Diet, the Japanese parliament, on Friday after resigning from the cabinet.

Indian Troops Take Over Part of Golden Temple

New York Times Service

AMRITSAR, India — Indian paramilitary forces entered the Golden Temple complex Friday evening and took over two strategic buildings a few hours after Sikh militants had rejected a demand to release women and children.

Police sharpshooters firing from high vantage points killed five Sikh militants inside the Golden Temple compound. They steadily tightened their grip on the scores of militants inside the complex, a sprawling network of temples, chambers and marble structures. The action took place a few hours after police officials pledged to keep all the militants pinned down inside the temple.

About 100 extremists in the temple grounds, the holiest shrine of Sikhism, rejected a government demand for surrender. Twenty-seven persons, including at least five civilians, have been killed since Monday, when 2,500 policemen and paramilitary troops surrounded the Golden Temple and its walled compound.

K.P.S. Gill, police chief of Amritsar, said policemen and troops controlled "all dominant features" around the compound, including a water tower with a sweeping view over the walls.

No food or people have been allowed into the temple since the siege began, and the militants have let no one leave since Tuesday, when about 800 pilgrims were evacuated.

See FUGITIVE, Page 3

Rift With Thatcher on Economy Could Force Lawson Out

By Warren Getler
International Herald Tribune

LONDON — Nigel Lawson, once regarded as the most powerful member of Prime Minister Margaret Thatcher's cabinet, is facing the acid test of his career just two months after delivering what many political and financial observers described as a brilliant tax-cutting budget.

The chancellor of the Exchequer, whose policies are credited for the strength of the British economy, is now expected in many influential circles to resign within the year, essentially forced out by an apparent loss of support from Mrs. Thatcher.

Although neither Mr. Lawson nor Mrs. Thatcher will publicly admit the seriousness of their rift, they are at loggerheads on significant issues of economic management, issues that Mrs. Thatcher holds dear.

"This conflict in policy objectives between the prime minister and the chancellor has undermined confidence in U.K. monetary policy and cannot go on for long without triggering trouble in the financial markets," said Brendan Brown, an economist with National Westminster Bank.

"In today's upward movement of sterling," Mr. Brown said, referring to the pound's run-up on foreign-exchange markets, "there is an element of speculation that Mr. Lawson will soon give way to another chancellor and that this will mark a shift in policy toward pushing up

interest rates to control inflation regardless of the short-run effects on the exchange rate."

The precariousness of Mr. Lawson's situation stems partly from the growing perception that Mrs.

NEWS ANALYSIS

Thatcher took control of Britain's exchange rate policy March 4, when she and the Bank of England scrapped Mr. Lawson's ceiling of 3 Deutsche marks to the pound.

It seemed to have been under-estimated Thursday in Parliament, when the opposition grilled Mrs. Thatcher on whether she supported Mr. Lawson's exchange rate policy.

"Can you give us a straight answer: Do you agree with your chancellor?" asked the Labor Party leader, Neil Kinnock.

"We shall continue to run the economy with low inflation, with excellent growth," Mrs. Thatcher said, sidestepping the question.

The Bank of England seemed to further repudiate Mr. Lawson's policy by publishing Thursday that interest rate changes were not needed to control inflation because the rising pound was doing the job.

The bank said it was not happy with the present mix of a high pound and low interest rates.

The report seemed to confirm that the bank's priority, shared by Mrs. Thatcher, is reducing the infla-

tion rate — which stood at 3.5 percent in March — rather than stabilizing sterling as Mr. Lawson wishes. And fighting inflation, under current conditions of strong credit demand, would mean higher interest rates coupled with a higher pound.

Currency traders interpreted the bank's statement as indicating that if the base lending rate were to be changed from its current 10-year low of 8 percent, it would be increased. Consequently, the pound rose sharply Friday in heavy trad-

ing to close at 3.1825 DM, a two-year high, despite intervention by the Bank of England. Traders said the central bank action was meant only to smooth the rise, not contain or reverse it. (Page 13.)

Since Britain is heavily dependent on its export performance, the management of its economy is inseparable from its exchange rate policy, Mr. Lawson asserts that the pound's current levels are unusual.

See LAWSON, Page 13

Wanted in New Jersey: A Man on the Run With 2 Elephants

By Michael Winerip
New York Times Service

NEW YORK — For four years, Arlan Seidon and two female elephants, Tony and Duchess, have been fugitives from the New Jersey police.

"I realize this looks like a story about an old kook who took two elephants and ran away," Mr. Seidon said in a rare phone interview from some place he wouldn't say where.

"But I couldn't let my girls be abused. Sorry, I always refer to them as my girls. They're like family."

As word of his elephant tale has spread, Mr. Seidon, 59, has become a folk figure. Proponents of animal rights offer support. Rumors place him all over North America. Everywhere people wonder, "How do you hide two elephants?"

"It's the simplest thing in the world," he said. "They've been kept out of sight of the general public

or so well displayed, no one would suspect. I've even had police officers give me a ride hitchhiking."

He would not say where he has been or how he makes a living. He fears being caught.

"Every single day I worry, every single minute," he said. "When this is over I'll tell you a hell of a story." His attorney is trying for a settlement.

It all began in 1981 when Mr. Seidon decided to end 40 years in animal training and try insurance. He sold his two elephants — they had done everything from appearing on television to giving kiddie rides at shopping malls — to a California man, Richard Drake, for \$80,000.

Mr. Drake put down \$10,000 in cash, but soon fell behind in his monthly payments. So in 1982, Mr. Seidon repossessed the elephants one night, driving them to a farm in Colts Neck, New Jersey.

There, two veterinarians said they found signs of abuse, including many hook boils from a trainer's stick.

Mr. Seidon decided he could not return the elephants. Mr. Drake sued in New Jersey, and on May 2, 1984, a Monmouth County jury decided the elephants should go back to Mr. Drake.

A few hours later, about midnight, Mr. Seidon made his move.

"I was pretty shook," he said. "A whole lifetime came in front of me. I really had to make one decision. Do I do what I believe or do I knuckle under to power? I just said: 'Everybody's sleeping. I got to blow town.'"

"It came on the spur of the moment. What the hell's the worst that can happen? I took the girls out of the box. I said: 'We're going for a ride. I don't know how it's going to be, or where we're going, and I drove off and I ain't been back.'"

He thought he'd be caught right away.

When he wasn't, he said: "What do I do now? I just got \$300."

And so the matter stands: Arlan Seidon, folk hero or elephant thief?

Mr. Drake's lawyer, Bunce Atkinson, denies there was abuse. The civil case was tried as a contract matter, no ruling was made on the elephants' health.

"Because this is elephants, people think it's funny," Mr. Atkinson said. "People wouldn't if he'd taken \$80,000."

Mr. Seidon's new lawyer, Isabelle Strauss, has appealed but is trying to reach a settlement that would have the elephants sold to a third party. It's not easy representing a man hiding with elephants.

She said she didn't know where he was and had not talked to him for months, though she is in

Chet Baker, the American jazz trumpeter, died in a fall in Amsterdam. Page 3.

General News

A survivor of the 1953 'doctors' plot' arrests, carried out during Stalin's last year, has published his memoirs. Page 4.

Arts/Leisure

Art sales in New York hit a landmark high of \$151 million in two days. Source: MetLife reports. Page 7.

Business/Finance

U.S. wholesale prices rose a moderate 0.4 percent in April after a 0.6 percent gain the previous month. Page 9.

Up 22.55

The Dollar in New York

DM 1.6638

Yen 124.775

FF 5.708

Down 22.55

Secret Justice in Israel: The 'Long Journey' of Prisoner No. 1,101

By Glenn Frankel
Washington Post Service

RAMALLAH, Israeli-Occupied West Bank — It was just after midnight when a dozen Israeli soldiers and two plainclothes security agents came for Walid Abdul Salam.

"You are going on a long journey," one of the agents told him, Mr. Abdul Salam said, as they pulled him from the room where his wife and two children were sleeping. "Please hurry, you are the first."

He said he dressed quickly while they waited. Then they bound his hands behind his back, blindfolded him and guided him to a bus that served as a makeshift patrol wagon. Throughout the night it rumbled through the occupied West Bank, picking up Palestinian activists as they were plucked from their beds.

Mr. Abdul Salam, 32, spent the next 18 days as a prisoner in Israel's crowded, chaotic and, by Arab accounts, often brutal military prison system. He was never charged with a crime, never tried,

never even interrogated by the authorities — but he considered himself lucky. Although he was granted an early release, hundreds of other Palestinians have remained imprisoned under regulations that allow the authorities to hold them for at least six months without charge or trial.

As the Israelis have sought to put down the five-month-long Palestinian uprising, they have turned increasingly to a form of arrest that they call "administrative detention."

Until December, Israel held an average of about 50 Arabs under these regulations at any time. Now, Israeli officials say the number is at least 1,700, more than one-third of the 5,000 Palestinians currently imprisoned for alleged involvement in the revolt.

To hold these new inmates, Israel has opened or converted five additional prison camps, including a massive facility in the Negev desert where prisoners say water supplies are short and conditions rugged.

To make it easier to hold them, the army has abolished the requirement that each case be subject to judicial review and has given senior military officers the power to order detentions. New restrictions also have been put on family visits. The result, according to critics, including defense lawyers, human rights activists and diplomats, is an arbitrary and harsh system of secret justice that has few discernible rules or standards and that offers its victims no workable appeal.

"In the past the Israelis always had some standards," said a Western diplomat who monitors the process. "They needed enough evidence to at least satisfy their own consciences. Now the standards have been swept away."

In Washington, the U.S. State Department said Thursday that it opposed administrative detention. "Those detained should be accorded judicial due process," said Phyllis Oakley, a State Department spokeswoman.

Israeli officials contend that adminis-

trative detention has helped stem the uprising, in which at least 176 Palestinians and two Israeli Jews have been killed.

"No one measure alone will extinguish the violence," Defense Minister Yitzhak Rabin said last week on Israeli television. He added, however, that "administrative detentions have made it easier for us to arrest the inciting organizers in a wide sweep."

The net is a wide one. It encompasses activists, alleged instigators and a significant segment of the Palestinian elite. Sometimes, the army in its roundups seems to be working off lists of names of those previously arrested or convicted of security crimes. At other times, the detentions and the reasons for them appear more arbitrary.

Among those being held are doctors, lawyers, trade union leaders, university officials and students, including many student council chairmen. At least 20 journalists are in detention, including five of the nine officers of the Arab

Journalists Association, according to a tally by Western diplomats.

One of the most prominent prisoners is Nabil Jabari, 42, who is chairman of the board of Hebron University, a dental surgeon in East Jerusalem and the head of a charitable society. He was called in to the Shin Bet internal security service's office in Hebron on March 10 and has been held ever since.

A senior military official said that Mr. Jabari was in detention because he allegedly maintained "very close connections with senior Palestine Liberation Organization activists in the territories and abroad" and received "instructions" on how to advance the organization's aims.

Mr. Jabari also is accused of distributing PLO money to elements involved in the uprising and helping organize public disturbances at the university, the official said. None of these charges has been made in court, and Mr. Jabari has not been officially notified of them.

Until last month, prisoners had to be brought before a military judge within

96 hours of their arrest, and an appeals board would automatically review the case within three months. Both those safeguards have been dropped, and only those who request an appeal get a review.

In the case of Mr. Jabari, his lawyer has filed an appeal, but there is such a backlog that it may take weeks or months to be heard. Last weekend, Mr. Jabari was transferred along with dozens of other prisoners from Jenail prison in Nablus to Ketziot.

Ketziot, the new Negev desert detention center southwest of Beersheba, houses about 2,300 prisoners, nearly half of them under administrative detention.

Conditions there are grim, according to Mr. Abdul Salam, who spent 11 days of his detention at the center, and according to Israeli journalists who were taken on an army tour of the facility two weeks ago. Inmates live in tents, water supplies are limited, toilet facilities are primitive. It is scorching hot in daytime and freezing at night.

No one has a name, but rather a num-

ber, which they must call out four times daily during roll calls, while they sit cross-legged in long rows with their hands behind their backs and their heads down. Mr. Abdul Salam's number was 1,101.

He said his 18th day was the hardest, because he knew that, under Israeli law, if he were held any longer he would automatically become a six-month prisoner. But at nightfall, he recalled, an official came to his tent and told him he could leave.

Mr. Abdul Salam makes his living composing songs that he sings while playing the oud, a traditional stringed instrument similar to a lute. In recent months he has composed many songs about the Palestinian uprising, but none yet about his time in Ketziot. It was, he said, too wrenching to sing about.

"In that place you feel you are at the end of the world," he recalled, "and if they do anything to you, nobody knows and nobody heard of you. In that situation I was really afraid."

'One Little Point' Held Up Agreement on INF in Geneva

By Don Oberdorfer
Washington Post Service

BRUSSELS — U.S.-Soviet negotiations in Geneva over the sticky technical issues of medium-range missile reduction had been finished by 5 P.M. Thursday, the papers had been drawn up in English and Russian, and by 6 P.M. Secretary of State George P. Shultz and Foreign Minister Eduard A. Shevardnadze had held celebratory news conferences to announce that complete and satisfactory agreement had been reached on all points.

Then about 8 P.M. came a telephone call from a Soviet official to Maynard W. Glitman, chief U.S. negotiator for the INF Treaty. There was a problem "with one little point," he told Mr. Glitman, and the Soviet side wanted to make "just a small change."

It really was a small change, a senior U.S. negotiator said later, but to the Americans it was important. So important, it turned out, that Mr. Glitman and several other officials spent all night, until 7 A.M. Friday, jousting with the Soviets on this seemingly tiny issue, which came down to a difference of 66 centimeters (25 inches) between the two superpowers.

The saga of the "one little point"

was unknown to the world while it was taking place in Geneva. It became known Friday morning as Mr. Shultz and his aides left for Brussels to brief North Atlantic Treaty Organization ministers and several officials sought to explain what happened and, perhaps more important, what it meant.

One set of lessons on the minds of those with extensive U.S.-Soviet negotiating experience is that with the Soviets, nothing is ever over until the last word or comma has been signed, sealed and delivered — and maybe not then.

In November, for example, Mr. Shultz announced after a set of meetings with Mr. Shevardnadze in Geneva that all outstanding problems in the way of agreement on the INF Treaty had been resolved.

Only final drafting and other technicalities remained, according to Mr. Shultz. But in fact the two sides were engaged in intense negotiations about fine points until just hours before President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader, signed the treaty in Washington on Dec. 8.

The current problems arose from preliminary meetings of the U.S. and Soviet inspectors who are to live and work in one another's country after ratification of the treaty, as the missiles are being eliminated and for years thereafter.

The treaty stipulates elimination of medium- and shorter-range missiles, known as intermediate nuclear forces, which have ranges of 500 to 5,500 kilometers (300 to 3,400 miles).

The nature of the disagreements, officials said, illustrates a second major lesson of dealing with the Russians: the hoary arms control adage that "the devil is in the details."

The details, in this case, involved the size of the smallest container that will be subject to U.S. on-site inspection at the Soviet missile assembly plant at Votkinsk, near the Ural mountains. It is the only assembly plant in the Soviet Union for the SS-20 medium-range missile, the most important Soviet weapon to be eliminated.

The U.S. inspectors are to make sure no more SS-20s are produced.

Disputed details of the Votkinsk inspections constituted one of the nine contentious points between the inspection teams that caused the Senate to delay on Monday consideration of the treaty.

The United States insisted on its right to inspect any shipment from the plant that was big enough to contain an SS-20 missile without its nose cone, which would be about 15 meters (16 yards) long. Mr. Glitman believed that Soviet negotiators had accepted this and that the wording of the memorandum of agreement drawn up Thursday afternoon backed him up.

The argument late Thursday stemmed, however, from an after-the-fact insistence by the Russians that they had meant to say inspection would be permitted of packages only more than 19 meters long, which is the full length of an SS-20 missile with its nose cone.

It was a "hypothetical" problem, a U.S. negotiator said, but an issue of principle. In the end, the argument came down to U.S. insistence on a limit of 14 meters — about 66 centimeters less than the estimated dimensions of the stripped down SS-20. Finally, at 7 A.M. Friday, the Soviet side accepted this and the official memorandum was initiated by both sides.

Before boarding his plane to return to Washington after his Brussels meeting, Mr. Shultz said that "the Soviets are hard bargainers."

"They keep trying us on for size," he added.

■ Shultz Briefs NATO

The NATO allies told Mr. Shultz on Friday that settlement of the technical disputes should spur the Senate to ratify the treaty before Mr. Reagan and Mr. Gorbachev meet later this month. The Associated Press reported from Brussels.

"We think the way is now open for the treaty to be ratified" before the leaders meet in Moscow on May 29, said David Mellor, a British minister of state.

U.S. and allied officials have expressed concern that failure to ratify the treaty before the summit meeting could spoil the atmosphere at the meeting and set back efforts to reach other arms control deals.



Ayatollah Khomeini casting a vote Friday in Iranian elections.

Final Voting Starts in Iran For Majlis Representatives

NICOSIA — Ayatollah Ruhollah Khomeini, the Iranian leader, voted Friday in elections for representatives in the Majlis, as the parliament is known, the Iranian news agency IRNA said in a report monitored here.

The report said the 85-year-old leader cast his vote in Tehran. This second stage of the Iranian elections was to choose 79 representatives from 10 provinces to serve four-year terms in the 270-seat parliament, IRNA said.

A record 17 million people voted April 8 in the first round, 12 million more than in similar polls four years ago, according to Hashemi Rafsanjani, speaker of the Majlis. More than 1,600 candidates, approved by screening committees from 2,000 aspirants, were seeking seats in the assembly, which has power over major domestic and foreign affairs and can impeach presidents and ministers.

FRANCE: Rocard Seeks Elections

(Continued from page 1)

ance with the Socialist Party rather than count on support from Mr. Le Pen.

Explaining his call for elections, Mr. Rocard said in a press conference and later on television that France "must not delay" in producing a clear mandate for the government to tackle what he called the urgent problems of restoring social cohesion.

Mr. Rocard, whose moderate policies and personal integrity made him seem the ideal Socialist to attract center-rightists into breaking away from the conservative coalition, presides over a government containing few of his close allies and many longtime Socialist associates of Mr. Mitterrand.

CHURCH SERVICES

CENTER OF COPENHAGEN
FIRST BAPTIST CHURCH, English speaking, Sun. 9:00, Rogsgaardsvej 7, (Tel. 2,57,16), Dr. J.L. Rasmussen, Min. Tel. (01) 373924.

STOCKHOLM
IMMANUEL CHURCH, Klingenberg, & Birger J. Friberg, Swedish fellowship, English, Swedish & Korean 11:00, Tel. (08) 151225, & 307603.

HOLLAND
BIBLICAL BAPTIST C.S. 9:45, Worship 11:00, every second Wednesday, Meet at the school, 54 in Woonerstraat, Tel. (071) 78024.

HAMBURG
INTERNATIONAL BAPTIST CHURCH OF HAMBURG meets at Fr. Friedländer's Gemeinde Christuskirche, Sutter Str. 18, Hamburg-Altona, Bible Study 1 p.m. + Worship 2 p.m. Tel. (0) 4101-207933.

EMMANUEL BAPTIST CHURCH, 56 Rue des Bons-Enfants, Rue-Mohammed, English speaking, evangelized, all denominations, S.S. 9:45, Worship 10:45. Other activities, Call Dr. B.C. Thomas, Pastor. Tel. 47 49 15 29 / 47 51 29 63. Beginning Sunday, June 5, International Baptist Fellowship meets at 123 Ave. du Maine, Metro Cité. Worship Service in English every Sunday evening of 6:30.

THE AMERICAN CATHEDRAL (Episcopal-Anglican), Mon.-Fri. 12 noon Holy Eucharist, Sun. 9 & 11 a.m. Holy Eucharist, 23 Ave. George V, Paris 6, Tel. 47 20 17 92.

ZÜRICH
INTERNATIONAL PROTESTANT CHURCH, English speaking, Sundays 11:00 a.m., Schanzengasse 25, Tel. (01) 69 55 25.

GENEVA
INTERNATIONAL CHRISTIAN FELLOWSHIP OF GENEVA, English speaking Sunday service 12:00 noon at Chapelle des Buis, 3 rue Anat. Rev. Greg Fisch, P.O. Box 2447, CH-1211 Geneva 2, (022) 23 08 67.

CHURCH OF THE LIVING SAVIOUR, Geneva's International Pentecostal church, 20 Ave. Ernest-Rodière, Every 2nd Wednesday of the month, 7 p.m. Tel. 447 070 or 988580.

But Mr. Rocard conveyed the strong impression Friday that he has a commitment from Mr. Mitterrand to be named prime minister again if the Socialists triumph in National Assembly elections.

Reacting to complaints that the new government apparently contradicted Mr. Mitterrand's campaign appeals for support from moderate conservatives, Mr. Rocard blamed conservative leaders for rejecting the president's overtures of cooperation. Instead, he said, they had sought to hold the balance of power.

Former President Valéry Giscard d'Estaing, a conservative leader, met Friday with Mr. Mitterrand. Afterward, he refused to comment on the makeup of the new government but reiterated that the center-right majority would "not stop the government from working" by seeking to overturn Mr. Rocard by a censure motion.

But many commentators said that Mr. Mitterrand and Mr. Rocard were intent on consolidating their position before their conservative opponents can regroup.

Some center-right politicians have shown signs of interest in breaking with the mainstream conservative coalition comprising the Gaullists, led by Mr. Chirac, the centrists, led by Mr. Giscard d'Estaing, and Raymond Barre, a former prime minister, who also was an unsuccessful candidate for the presidency this year.

French newspapers Friday called Mr. Rocard's government a "transition government" and a "government for a campaign," arguing that the heavy representation of long-serving Socialists was intended to galvanize Socialist supporters rather than facilitate the opening to the center that Mr. Mitterrand has called for.

The names of additional junior ministers announced Friday, just before the first cabinet meeting, did little to change the impression of Socialist domination. Of 26 ministers, 17 are Socialists.

Independents were given visible, but secondary posts. For example, Bernard Kouchner, founder of Médecins sans Frontières, the volunteer overseas medical corps, was named to a new post responsible for helping unemployed people and minorities.

Poland Expels 7 Belgians

BRUSSELS — Poland has expelled seven Belgians for having contacts with illegal pacifist groups, a Belgian Foreign Ministry spokesman said Friday.

JAPAN: Official Resigns

(Continued from Page 1)

disavowed Mr. Okuno's remarks while avoiding direct disagreement with him.

"We would like to enhance friendly relations with neighboring countries from now on," said Foreign Minister Sosuke Uno.

Mr. Takeshita and other officials sought a compromise in the past several days that would mollify local opposition parties, which demanded Mr. Okuno's dismissal, and indicate to foreign observers that the minister's comments were not officially sanctioned.

On Thursday, the ruling party proposed that Mr. Okuno retract the controversial portions of his statements. It was immediately evident, however, that the issue had gained too much momentum for such a step to suffice.

"In the end, the prime minister had no real choice," a diplomatic observer said. "The only clean way out of the problem was to accept Okuno's resignation or dismiss him."

Spokesmen for the leading opposition parties immediately expressed satisfaction with Mr. Okuno's resignation.

Although the government probably has succeeded in containing the immediate controversy, political analysts say, Mr. Okuno is seen as having raised a series of sensitive political questions that are likely to become increasingly urgent as Japan's global role evolves.

Central to these issues, in the view of Mr. Okuno and other conservatives, is whether Japan can shed the sense of guilt that has colored the national mood for four decades and reassert itself as a sovereign nation.

The intent behind his recent remarks, Mr. Okuno said in an interview, was not to offend Japan's neighbors but to point out the psychological obstacles the nation must confront if it is to succeed in its efforts to "internationalize."

"I want to address the Japanese as an independent people," Mr. Okuno said in the telephone interview. "The point is not to offend China or any other nation, but to say we ourselves before being pushed around by others."

Although nationalist views are not new in Japan, they are re-emerging, local commentators say, because of the international prominence Japan has assumed in recent years and the widespread view in Japanese political circles that U.S. power in the Pacific region and elsewhere is receding.

In addition, an underlying fear that Japan is slowly losing a distinct identity as a result of its social and economic modernization has produced a tendency toward "self-justification," as one analyst said, among Japanese politicians and educators, as well as in the media.

The challenge now confronting Japanese leaders, political experts suggest, is how to channel the nation's emerging impulses, how to turn previously aggressive drives to constructive international purposes. While Yasuhiro Nakasone, Mr. Takeshita's predecessor as prime minister, is credited as the first postwar Japanese leader to recognize this challenge, he is not seen as having provided a clear sense of national direction.

"There's quite a serious identity crisis in Japanese politics today," said Takeshi Sasaki, a political scientist at Tokyo University. "Mr. Okuno's expressions are simply one response to this crisis."

Long contentions figure in Japanese politics. Mr. Okuno, 74, has distinguished himself several times in the past by bluntly asserting opinions that clearly are controversial in Japan and abroad. But he differs only in approach, not in the substance of his view, from a large proportion of the ruling Liberal Democrats, several analysts noted.

LEBANON: 5 in Hezbollah Militia Slain by Syrians

(Continued from Page 1)

the mainly Shiite 6th Brigade said that Amal fighters on the airport road had fled from their positions when the Hezbollah gunmen advanced toward them.

Many of the 22 foreigners missing and believed kidnapped in Lebanon are thought to be held in the southern suburbs. Several of them were abducted on the airport road.

The fighting with tanks, artillery and rockets on Friday shattered a truce sponsored by Iran and Syria that had gone into effect on Wednesday night after Hezbollah advanced against Amal fighters.

"Talk is that there is an interna-

WORLD BRIEFS

Noriega Says Talks With U.S. Failed

LA NEGRITA, Panama (AP) — General Manuel Antonio Noriega said Friday that talks with the United States about his departure from power in Panama had collapsed. At ceremonies here marking the anniversary of the death of a revolutionary hero, he also said that he could run for president in elections next year.

"Everything fell apart," General Noriega said when asked about the talks. General Noriega, the head of the National Defense Forces and de facto Panama ruler, was charged in Miami in February with taking at least \$4.6 million in payoffs from Colombian drug traffickers. The United States has been seeking his removal from power.

Reagan administration officials said that a deal was being discussed that could result in the dropping of the drug charges against General Noriega if he relinquished power. There was no comment from Washington on Friday on the state of the talks.

Taiwan Welcomes Chinese Hijackers

TAIPEI (AP) — Two Chinese men who threatened to blow up a Boeing 737 unless it flew from the mainland to Taiwan were welcomed as refugees Friday and given political asylum because they "risked their lives to seek freedom and democracy," Taiwan said.

China thanked the civil government for returning the Chinese airliner and its 107 passengers and crew of 11 Friday, nine hours after the aircraft was hijacked to a Taiwanese military base. The air pirates, meanwhile, appeared on Taiwan television and said they would have killed themselves had their hijacking failed.

Chang Ching-kuo, 27, said that he and his companion, Lung Kuei-yun, 26, used a toy pistol and a bottle of a phony explosive to force the plane to Taiwan on Thursday. He said he and Mr. Lung also carried knives and would have committed suicide if they failed.

Vietnam Takes Urgent Steps on Food

BANGKOK (UPI) — Vietnam is taking emergency steps to head off starvation, cutting rice rations for some soldiers and collecting food for the neediest families, the Hanoi radio said Friday.

Hanoi appealed last month to international donors for food aid and agricultural supplies, but diplomats said the appeal may have been too late for those already going hungry. The radio report Friday said the measures were intended to alleviate "acute difficulties in the people's daily life and the increased number of people facing a food shortage in many localities."

Earlier this week, the radio said that some families in Ha Son Binh Province, south of Hanoi, had run out of food. "Hunger may even worsen," the radio said, reporting that it would be two months before the next rice crop is harvested. It called on farmers to plant fast-growing vegetables to stave off famine. Monthly rice rations for soldiers and civil servants in the province have been cut by 13-16 percent, the radio said.

U.S. Seeks Alternative Bases in Asia

CANBERRA, Australia (Reuters) — South Korea, Singapore and the Pacific island of Guam are being considered by the United States in "a serious study" to develop alternatives to U.S. military bases in the Philippines, a top U.S. military commander said Friday.

Admiral Ronald J. Hayes, the U.S. commander in chief in the Pacific, said that renegotiating the leases that expire in 1991 for Clark Air Base and Subic Bay Naval Base in the Philippines, the largest U.S. bases in Asia, was becoming difficult.

"I have under way at the present time a serious study to develop the alternatives to our presence in Clark and Subic," Admiral Hayes said. "We have no option but to take a serious-minded attitude about the alternatives." He said the study would look at possible bases in Guam, South Korea and Singapore.

Hungarian Academics to Start Union

VIENNA (Reuters) — Hundreds of Hungarian academics and research scientists were scheduled to meet Saturday in Budapest to form a trade union aimed at protecting research funding, a spokesman said.

They broke away from their official union within the trade union federation SZOT after it took no action over cuts of nearly a quarter in research funding announced in December.

Many are from state-financed institutes under the Hungarian Academy of Sciences. A philosopher, Agnes Erdelyi, a member of the formation committee of The Democratic Union of Scientific and Academic Workers, said Friday that more than 500 people wanted to be members.

TRAVEL UPDATE

Backlog of Trucks Eases at Dover

LONDON (Reuters) — A backlog of more than 1,000 trucks stranded at Dover, England, by striking English Channel ferry seamen was rapidly cleared on Friday as most ferry services were restored.

Ferry sailings from other ports to European and Irish destinations and the Scottish islands also were returning to normal after the National Union of Seamen told its members to go back to work.

The strikers voted, however, to continue a 14-week dispute with the P&O Steam Navigation Co. at Dover over pay and manning conditions.

The union decision to end illegal secondary picketing of ports in support of its struggle with P&O enabled the rival channel ferry company, Sealink, to put to sea after a two-week blockade.

Hundreds of long-distance trucks blocked the border crossing at Villar Formoso between Portugal and Spain on Friday to protest delays in customs clearance, the police said.

Aeroflot planes will be allowed to land in Seoul during the Olympics despite a lack of formal diplomatic ties between South Korea and the Soviet Union, the South Korean Transport Ministry said Friday. (AP)

The number of mid-air near collisions dropped 25 percent in the United States and air controller errors fell 15 percent from January to March compared with the same period last year, the Federal Aviation Administration said Thursday. Pilots reported 167 near collisions in mid-air during the three-month period, down from 222 during the first quarter of 1987. Most of these incidents involved small, private aircraft. Near collisions involving airliners dropped from 94 to 69 for the period. (UPI)

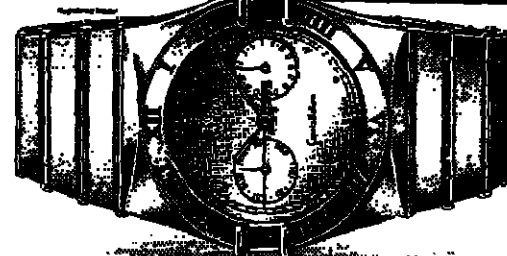
Hezbollah, with about 5,000 fighters, seeks to establish an Iranian-style Islamic state in Lebanon, while Amal wants reforms to give Muslims a larger share in the Christian-dominated government.

The cease-fire accord called for prisoner exchanges and the withdrawal of rival militiamen from the suburbs. But the gunmen stayed at their sandbagged posts, making further clashes virtually inevitable.

Meanwhile, security sources in mainly Christian East Beirut said that Samir Geagea, the hard-line Christian militia leader, survived an apparent assassination attempt on Thursday night when a car packed with explosives blew up as his convoy was passing.

The blast, about 200 meters (220 yards) from a barracks of the Lebanese Forces militia in a village 35 kilometers north of Beirut, wounded two bodyguards, the sources said. Mr. Geagea was saved by the armor on his car, they said.

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هكذا من الأمل

Survivor Ends 35-Year Silence Over Stalin-Era 'Doctors' Plot

By Felicity Barringer
New York Times Service

MOSCOW — To wait was Yakov Rapoport's way, and his only weapon. His memory wound itself protectively around the days in early 1953 that took him from the top ranks of Soviet medicine to a prison cell and back. When he returned, he kept silent, he kept waiting, he kept remembering.

He remembered the throb of manacled wrists and the interrogator's words: "plotter," "poison" and "Jewish bourgeois nationalist." He remembered daydreaming that the ordeal would end in exile — "a typical paradox of Stalin's epoch, that criminals' fondest dream was choosing the punishments for their uncommitted crimes."

After 20 years, he wrote it down. Then he waited another decade. "Now," he said in a recent interview, "the waiting is over."

On the eve of his 90th birthday, his memoirs have been published, a first-hand account of the convulsive moment of anti-Semitism called "the doctors' plot."

In April 1953, a month after Stalin's death, his successors repudiated the charges and freed the doctors. But for three decades and more afterward, the plot was never publicly put in context as the culmination of five years of increasingly vicious official discrimination against Jews.

This year, that difficult confrontation has slowly begun, spurred by a reference to the doctors' plot in Mikhail S. Gorbachev's speech on Soviet history last fall. Dr. Rapoport's memoirs were accepted by the monthly magazine Druzhba Narodov, his daughter Natalya's by the monthly Yunist, and both were published in the April editions.

"Bit by bit, I've been left alone, the last of those arrested, or at least I think so," Dr. Rapoport said. "The generations that follow must know about this."

"I had to write this down to rid myself of it," said Natalya, who was 14 when she opened the apartment door to find a crush of menacing men come to find proof of

her father's complicity in a plot to poison the top Kremlin leadership. "It was the day I became an adult, after a happy childhood," she said in the interview, sitting next to her father between an ornate wooden desk and a portrait of Albert Einstein.

Her parents had had a life of privilege, Soviet-style. In Dr. Rapoport's case, this meant living in the Arbat district, the heartland of the Moscow intelligentsia, working with little hindrance in his medical specialty of pathology, serving as a top official at a leading medical institute, editing encyclopedias.

Natalya and her sister were in the Komsomol Communist youth league. Dr. Rapoport, who joined the Communist Party during World War II, believed in the superiority of the Communist system.

The nightmare began for the family when the leading newspapers published a report by the press agency Tass on Jan. 13, 1953: "Some time ago, the organs of state security uncovered a terrorist group of doctors whose goal was to shorten the lives of active statesmen of the Soviet Union by means of sabotage in the course of medical treatment."

Within days, rumors choked the air: poisoned medicine in drugstores, silent murder of infants in maternity wards.

Nine doctors, most of them Jews, were listed as being "among the participants." Later, according to a second Tass report, at least 10 more were arrested.

One of the first nine arrested, Dr. Miron Vovsi, was a close friend of Dr. Rapoport's. As her schoolmates were debating whether the executions would be public, Natalya had nightmares of Dr. Vovsi hanging in Red Square. But she did not imagine that her father would be arrested.

Dr. Rapoport had no illusions. "For about a month, they had been arresting my friends," he said. He and his wife felt fear but not surprise when they received a frightened call from Natalya the night of the search.

When they came home, some of the men took Dr. Rapoport to Le-

fortovo Prison. Mrs. Rapoport was taken away by others to witness a search of the dacha.

Natalya did not know that. She thought both were gone for good. When her mother returned the next morning, she found her daughter huddled in the same place and the same position she had been in during the search.

In Lefortovo Prison, Dr. Rapoport lived and ate in a one-bed cell. He was not allowed to sleep. Up at 6 A.M., he discarded an inedible breakfast in the toilet. Interrogation lasted on and off all day and night until 3 A.M., followed by a shower.

At first, he pleased his investigators by freely admitting to such "Jewish bourgeois nationalist" acts as protesting quotas that kept young Jews from higher education.

Pleasure turned to bewilderment when he refused to confess to membership in the "terrorist plot." "I don't understand your defense strategy," said the interrogator. Dr. Rapoport replied that he would not lie, either to exonerate or implicate himself.

Other arrested doctors, including Dr. Vovsi, did confess. Later, as Dr. Vovsi was dying of cancer in his leg, he told Dr. Rapoport: "You can't compare my state now with my state then. I've lost my leg, but I'm still a man. Then I ceased to be a man."

Death seemed inevitable, the investigations a sham. But suddenly the questioning took a different turn. Dr. Rapoport recalled. The interrogators abruptly started asking about certain symptoms that indicated a patient had a fatal illness. They inquired about good specialists. But the specialists were all in prison.

Then, while his doctors suggested therapy under the glare of the interrogators' lamps, Stalin died. And because he died, the doctors did not.

Dr. Rapoport was not told of Stalin's death. The country was in deep mourning, but all he knew was that the tone of the interrogations was changing. A few weeks after the strange questioning about medical symptoms, he was taken to



Yakov Rapoport and his daughter, Natalya, in their Moscow apartment. Both have published their memoirs surrounding the arrests of doctors, most of whom were Jewish, in 1953, the year Stalin died.

a new investigator, who first spoke to castigate the old investigator for Dr. Rapoport's emaciated appearance.

Said the new man: "Please forget what happened during the investigation. Investigations are investigations; anything can happen." Some weeks later, Dr. Rapoport was released. As he was revelling in the chance to use a razor and brush his teeth, his wife told him Stalin had died.

In the days and years afterward,

he kept his party membership, but he also kept his doubt. "There was some, but I hoped that someday common sense would triumph," he said. "And I lived to the day when common sense did triumph."

He also forgave the friends who had shunned his family in his absence and did not meet his eye on his return. He felt himself no hero; to him there were no villains. Indeed, his parting request to an interviewer was, "Don't make me a hero."

For Natalya it was different. Slower to forgive the family friends who had shunned her and her mother during her father's arrest, she was adamant about not joining the party.

"I would never join his party for all these years," she said. "Only now, perhaps, in this year, if you asked whether I wanted to join the party, probably now I would agree because now I have the feeling — maybe I'm deceived — that something depends on me."

Officials Report Protest In Soviet Region After Azerbaijani Gets Post

Reuters

MOSCOW — New demonstrations have occurred in the disputed region of Nagorno-Karabakh, at the center of recent ethnic unrest between Armenians and Azerbaijanis, officials in the region said Friday.

A spokesman at the regional Communist Party daily Sovetskaya Karabakh said by telephone that a crowd of demonstrators had formed Thursday in Stepanakert, the capital of the Nagorno-Karabakh Autonomous Region, to protest the appointment of an Azerbaijani as deputy prosecutor.

"I can't say how many people there were, but there were quite a lot," the spokesman said. He said that the demonstrators later dispersed.

An official at the local Communist Party headquarters said Stepanakert, a town of 33,000 that is populated mainly by ethnic Armenians, was quiet on Friday. "People are going about their normal business," he added.

Stepanakert was the scene of mass demonstrations in February by ethnic Armenians protesting what they said was negligence of the region by Azerbaijani officials, and demanding its transfer to neighboring Armenia.

Nagorno-Karabakh has a population of about 175,000, of whom 75 percent are Christian Armenians. It forms part of Soviet Azerbaijan, most of whose people are Moslems.

The protests in February prompted huge demonstrations of support in Yerevan, capital of Soviet Armenia. Counterdemonstrations occurred in Baku, the capital of Azerbaijan, and mobs in Sumgait, Azerbaijan's second-largest city, went on a rampage, killing 26 Armenians.

On May 11, the trial opened in Sumgait of one Azerbaijani accused of taking part in the killings there. Officials say more than 80 people have been arrested by a special team of investigators sent from Moscow.

An editor at the Armenian news agency Armexpress in Yerevan said by telephone on Friday that hundreds of students gathered Thursday in the city's Opera Square and nearby to discuss the Sumgait trial.

"They were not demonstrating," the editor said. "They were simply expressing the hope that justice would prevail at the Sumgait trial and there would be no outside pressure on the judges."

A Soviet Satellite With Atom Power Loses Radio Link

Compiled by Our Staff From Dispatches

MOSCOW — Soviet space officials said Friday that they lost radio contact in April with a nuclear-powered surveillance satellite.

But in a report issued through the Tass news agency, the officials said the satellite, Cosmos-1900, was continuing its planned flight under close observation from the ground. The Soviets said that steps would be taken to ensure that its 45-kilogram (100-pound) radioactive power source presents no danger when the craft plunges to Earth in the next three or four months.

Without radio contact, officials on the ground cannot control the satellite.

Cosmos-1900, launched Dec. 12, 1987, had equipment ensuring radiation safety when its flight was completed, the Tass report added.

Earlier Friday, the Soviet Union launched an unmanned cargo craft, Progress-36, to deliver supplies to the Mir orbiting space station, Tass said.

The craft's predecessor, Progress-35, docked with the station on March 26 and uncoupled on May 5. It broke up on re-entry to the Earth's atmosphere.

The crew of the Mir, Vladimir Titov and Musa Manarov, have been on board since December.

(Reuters, UPI)

FREE INFORMATION

FROM INTERNATIONAL INVESTOR IX

Herald Tribune

Published With The New York Times and The Washington Post

The latest information from the distinguished companies listed in this section are available to you at no charge. Simply circle the appropriate number on the coupon at the bottom of the page before June 8th, or telex the numbers with your return address, and the report(s) will be mailed to you by the companies involved.

McDONALD'S CORPORATION

About the McDonald's System

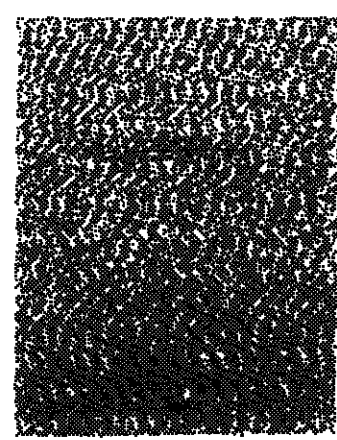
The McDonald's System is the largest foodservice organization in the world. The Company, its franchisees and affiliates operate 10,000 McDonald's restaurants, each offering a limited menu of high-quality food, which can be part of a well-balanced diet. These restaurants are located in 47 countries around the world. The System has pioneered food quality specifications, equipment technology, marketing and training programs, and operational systems that are the standards of the industry throughout the world. McDonald's motto of Q.S.C. & V. translates into Quality food products; fast, friendly service; restaurants known for cleanliness; and a menu that provides Value. Q.S.C. & V. — McDonald's promise to customers every day around the world.

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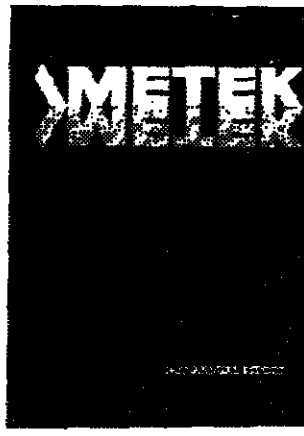
Dom Pérignon, Moët & Chandon and Veuve Clicquot champagnes, Hennessy and Hinc cognacs, Christian Dior, Givenchy and RoC perfumes and cosmetics, Louis Vuitton luggage, leather goods and accessories and Loewe.

AMETEK

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and the highest sales in its history. This strong demand has continued into 1988 as new orders reached record levels and AMETEK announced a plan to spin-off 14 of its manufacturing divisions and — perhaps by mid-year — distribute the new corporation's shares to its stockholders.



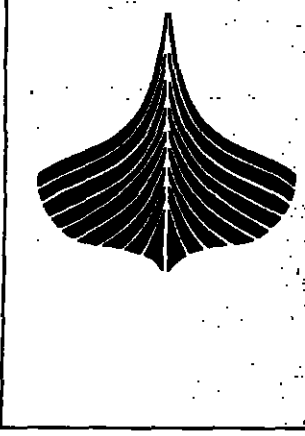
BANQUE SCANDINAVE EN SUISSE

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The main events of 1987 were the opening of a branch in Zurich, access to the trading floor of the Geneva Stock Exchange, and the purchase of a minority interest in Tuffier et

Associés in Paris.

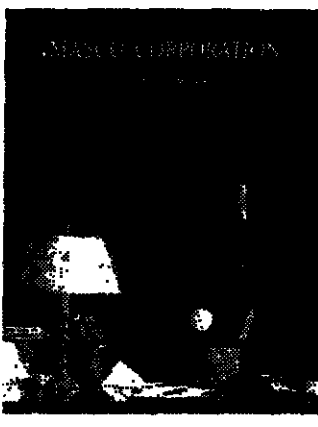
The value of the bank's four investment funds is now listed daily in the IHT. Despite the October fall in the world's stock markets, taking 1982 as a starting point, the compound annual growth of the Intelsc equity fund averaged 14% in Swiss francs and 19.8% in U.S. dollars. For the BSS Bond Fund, the average was 9.2% and 14.8% respectively. Net profit for 1987 rose to CHF 13 million, and total assets to CHF 1'641 million.



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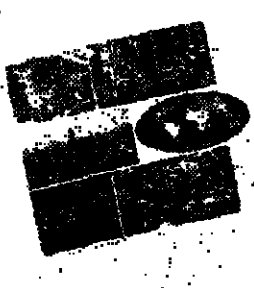


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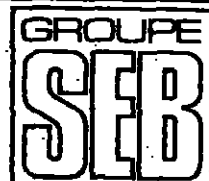
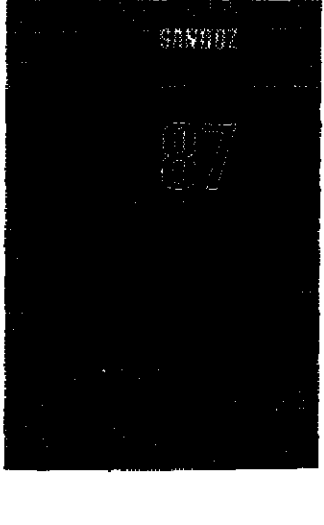
Earnings have improved for the eleventh year in succession. In 1987 Group sales were SEK 41,000 m with a profit of SEK 3,600 m. The pre-tax return on capital employed was 23.1%, solvency (equity/asset ratio) was 50%. Investments in fixed assets and R&D amounted to SEK 6,125 m, equivalent to 14.8% of sales. For a copy of the Annual Report 1987, please write to: Saab-Scania AB, Corporate Communications and Public Affairs, S-581 88 Linköping Sweden.



SANDOZ

Sandoz, with sales of S.Fr. 8,979 million (up 7%) and earnings of S.Fr. 627 million (up 16%) in 1987, is a specialized manufacturer of chemical, pharmaceutical, crop protection, seed and nutrition products.

Headquartered in Switzerland, Sandoz is a research oriented group with worldwide operations. The company spent S.Fr. 805 million on Research & Development in 1987, most of it was in the pharmaceutical area. Sandoz enjoys a superior financial strength achieved through excellent performance. With year-end 1987 liquid assets accounting for more than 25% of total assets.



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toasters. It has well recognized brand names such as CALOR, SEB and TEFAL in France and TEFAL in foreign markets. The SEB Group has a clearly defined strategy: concentration on key products, internationalization and innovation. Consolidated world sales for 1987 amounted to 3,743 billion FF (up 8% over 1986) of which half was abroad. Net income was up 49% to 164 million FF.



مكتبة الأصيل

Protest After Post

The Armenian news press in Yerevan on Friday the students gathered the city's Opera to discuss the not demonstrating. "They were simply hope that justice at the Sumgait trial be no outside pres-

Satellite Tom Power Radio Link

— Soviet space off-day that they lost re-1 April with a nuclear-reliance satellite. report issued through agency, the officials said, Cosmos-1900, ing its planned flight observation from the Soviets said that steps ken to ensure that its (100-pound) radioac-ack presents no danger aft plunges to Earth in se or four months. radio contact, officials and cannot control the

900, launched Dec. 12, equipment ensuring radi-when its flight was the Tass report added, Friday, the Soviet Union unmanned cargo craft, to deliver supplies to iting space station, Tas

its predecessor. Pro-cked with the station 26 and uncoupled on broke up on re-entry to atmosphere. of the Mr. Vladimir Musa Manarov, late ard since December. (Reuters, UPI)

Russians Deploy Troops Near Kabul to Protect Withdrawals by Convoy

KABUL, Afghanistan — Soviet soldiers and tanks were deployed Friday on major roads in the capital in anticipation of Moslem rebel attacks at the start of the Soviet troop withdrawal from Afghanistan.

A Soviet officer said the first convoy to leave, starting the withdrawal from Afghanistan on Sunday after more than eight years of war against U.S.-armed Moslem rebels, "will not go without shooting."

"We are getting ready for anything: shells, mines," Major Valerie Opanasenko of the military traffic police said.

The first Soviet troops to leave Afghanistan were to arrive in Kabul soon from outlying areas and then drive about 185 miles (300 kilometers) north to the Soviet Union on Sunday. They reportedly will travel in a 30-kilometer convoy of 3,000 vehicles along the Salang Road, the only land route linking the Afghan capital and the border.

Major Opanasenko indicated that the Soviet military believes the guerrillas will not permit a peaceful departure, saying "the convoy will not go without shooting."

Western diplomats have also said they anticipated attacks on the Soviet column, pointing out that rebel forces recently established positions on both sides of the Salang Road just north of Kabul.

Standing outside the Soviet base at Kabul Airport on Perimeter Road, which circles the city, Major Opanasenko said Soviet tanker trucks lined up in a dusty field nearby would refuel vehicles arriving to form the initial convoy.

Asked when he personally would leave, the officer replied cheerfully that he was "like the captain of a ship" and would be among the last Soviet forces out of Afghanistan.

The Soviet Union agreed to withdraw its estimated 115,000 troops under UN-mediated accords it signed April 14 in Geneva with Afghanistan, the United States and Pakistan.



Justice Minister Fernando Van Dunem of Angola, left, and Foreign Minister R.F. Botha of South Africa after meeting Friday in Congo.

Pretoria and Angola Hold Peace Talks

By William Claiborne

Washington Post Service

JOHANNESBURG — South African and Angolan officials met for nearly four hours Friday in Brazzaville, the Congolese capital, in an effort to end the civil war in Angola.

The two sides agreed that they "have no illusions" about the complexity of the issues facing them, South African officials said.

The negotiators agreed that further talks would be held soon in Brazzaville and would include representatives of the United States, which supports rebels fighting the Marxist government of Angola, and Cuba, which has about 40,000 troops in Angola. No date was set.

All four parties met May 3-4 in London in talks aimed at setting up a framework for regional peace negotiations. Foreign Minister R.F. Botha of South Africa, who headed his country's delegation, said after the meeting Friday that "important bilateral issues" had been discussed, but he declined to elaborate on the details.

"I express the hope that what we have started will be rewarded with peace and stability in our region," he said in a brief statement. "We

have agreed that there can be no military solution for the problems of our continent, particularly those of our region."

"I think I express the feelings of both delegations if I say we have no illusions of the complexity of the matters we address," he added, "but there is a willingness on the part of both governments to address them."

The talks were held amid indications that South Africa was seeking to chart an independent course in the talks, without Chester A. Crocker, U.S. assistant secretary of state for African affairs, who headed the London talks.

Mr. Botha said Friday: "I want to reaffirm that my government strongly believes that we as Africans ought to resolve our problems ourselves."

It was not clear what kind of independent course Pretoria was seeking. But a senior South African government source said in an interview in March that South Africa and Angola increasingly were leaning toward trying to negotiate bilaterally a military disengagement in southern Angola and a withdrawal of Cuban troops from Angola, putting aside for the time being the complex issue of

independence for South-West Africa.

South Africa, along with the United States, has in the past consistently linked a resolution of the question of independence for South-West Africa, also known as Namibia, with the withdrawal of Cuban troops from Angola.

South Africa was understood to have requested the Brazzaville meeting. U.S. officials have said that Washington was not officially notified in advance.

The Socialist government of Congo, led by President Denis Sassou-Nguesso, a steadfast supporter of Angola, appeared likely to play a continuing role in peace negotiations between Angola and South Africa. Pretoria maintains that it is in the process of withdrawing 3,000 of its troops from southern Angola, where they are backing the National Union for the Total Independence of Angola, or UNITA.

Mr. Botha said Friday that the Congolese foreign minister, Antoine Ndinga Oba, who greeted the South African delegation but did not participate in the talks, "told us he is willing to again make Brazzaville available."

Heading the Angolan delegation was Justice Minister Fernando Van

Dunem and the deputy army chief of staff, Major General George Roberto Leal Monteiro.

Mr. Van Dunem, who appeared briefly with Mr. Botha at a news conference before leaving Brazzaville, thanked the South African foreign minister for his "frankness" and said positions had been clarified.

"I hope we will meet very soon to find an honorable solution to the problems of the region," he added.

Moscow Pledges to Cut Pollution Into Finland

Reuters

HELSINKI — The Soviet Union said under an agreement published on Friday that it would reduce atmospheric pollution that is being carried across its 1,300-kilometer (800-mile) border with Finland.

Under the accord signed at talks that ended here on Thursday, the Soviets have promised to reduce sulfur emissions from factories on the Kola Peninsula east of Finland to half the 1985 level by 1993. Soviet officials said that the sulfur emitted amounted to about 350,000 tons annually.

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Wolters Kluwer, formed in 1987 by the merged international publishers Wolters Samsom Group and Kluwer, is based in the Netherlands and has some 120 operating companies in 7 countries and over 7,900 employees. In 1987 sales rose to Dfl. 1,651 mln and net income rose by 16% to Dfl. 88.9 mln. Net income per ordinary share rose by 21% from Dfl. 6.34 to Dfl. 7.69. Main activities of Wolters Kluwer are scientific, information and educational publishing and professional training. In these fields prospects for further growth are favourable. Target turnover in 1990 is Dfl. 2 billion approx., with a net income of about 7% of sales.



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The Culprit Is Spared

Most accounts have portrayed Donald Regan's memoir "For the Record" as little more than an unattractive "kiss-and-tell" account of Nancy Reagan's fixation with the occult. That underestimates a book profitably read on several levels.

It provides a useful account of the calamitous decisions that led the country into the present era of giant budget deficits. It chronicles endless, cheerless bureaucratic warfare. And it portrays an amiable, inattentive president who must bear responsibility (although Mr. Regan loyally won't say so himself) for errors of ambitious subordinates.

In this sense, the book is a perfect companion to the first big budget account of the Reagan years, David Stockman's "The Triumph of Politics." To turn back and forth between them is to hear figures of mutual venom. To Mr. Regan, Mr. Stockman was a brash "wonderkid" intent on pleasing congressional enemies. To Mr. Stockman, Mr. Regan was a practitioner of the "echo" principle: Whatever the president wanted, Mr. Regan would try to get.

But what emerges from both books is that the president's two most important economic advisers, Mr. Regan the Treasury secretary and Mr. Stockman the budget director, peddled with equal fervor the supply-side fantasy that the United States could somehow grow its way out of huge deficits resulting from the tax cuts of 1981 and a major increase in military spending. The only difference is that Mr. Regan clung to the fantasy longer than Mr. Stockman did.

The president floats ghostlike through Mr. Regan's pages as he did through Mr. Stockman's. There is one particularly revealing episode. In November 1984, James Baker, then the White House chief of staff, visited the Treasury Department, complaining that he was tired of the White House jungle where "wolves were all around." Mr. Regan suggested that they switch jobs, and in January they took the idea to the president. It was clearly a big decision. But Mr. Regan found the president "equable, relaxed — almost incurious." "I did not know," he writes, "what to make of his passivity."

Within two years, Mr. Regan's new job had turned to dust. On Feb. 27, 1987, he resigned in the wake of charges by the Tower commission that he had been largely responsible for the "leakage" following the disclosure of the arms-for-hostages deal.

At this point the reader hopes that Mr. Regan will finally blow his stack. He gets angry all right, but only at peripheral figures. He does not focus on the president — the very man who created the policy vacuum that allowed the supply-siders to run wild, and the operational vacuum that led Oliver North to orchestrate a rogue foreign policy. There is no mistaking the real culprit. The narrative identifies him, even if the author does not.

—THE NEW YORK TIMES.

Jaruzelski Buys Time

Police action, church mediation and the calming counsel of Solidarity veterans have combined to halt Poland's latest labor revolt. The last workers left Gdansk's Lenin shipyard neither broken nor victorious. The Jaruzelski government bargained with them, but conceded little.

The anticommunist finish came as something of a relief. The volatile workplace confrontations threatened General Wojciech Jaruzelski's plans for economic reform, Poland's recently regained civil liberties and even Moscow's new non-interventionist policy. But relief does not mean resolution. Poland has merely bought a little more time to address the problems that make it the flashpoint of Eastern Europe.

Further explosions are certain unless the government uses this reprieve with imagination and courage. Its unilateral move to enact emergency economic powers is a discouraging sign. Even in this stalemate, the workers have made clear that no reform can succeed without their active support.

Few Poles now question the need for radical economic reform, and most agree on the general direction. Over-centralization, supply bottlenecks and arbitrary pricing have created a lumbering economy that cannot provide decent living standards or Poland's bills abroad. Decentralization, greater reliance on market signals and stronger individual incentives are all needed.

These prescriptions imply stiff sacrifices by workers. Poles remain understandably resistant to such sacrifices for a regime that is as contemptuous of popular opinion today as it was the day it imposed martial law. It is not, however, careless. After three worker revolts in a decade, Warsaw now tests sentiment in advance of price increases. Last year it experimented with a plebiscite on economic reform. It has mixed negotiation with force in response to the latest strikes.

Far bolder consultation will be needed to give real economic reform a chance. The challenge to General Jaruzelski is even more daunting than that facing Mikhail Gorbachev, given the inherently greater legitimacy problems of a satellite regime. He has bought time, but not much.

—THE NEW YORK TIMES.

Ganging Up on Jamaica

To strengthen the Caribbean economies, Congress invited the countries there to invest in increased exports to the United States, including exports of ethanol. That was five years ago. Ethanol can be made from sugarcane, and Jamaica put millions of dollars into a modern ethanol plant. But ethanol can also be made from corn, and two years ago, caving in to pressure from American corn growers, Congress changed its mind and amended the law in a way that is now shutting Jamaica ethanol out of the American market. The American producers want to keep the ethanol market for themselves, for ethanol can be mixed with gasoline to produce motor fuel — gasohol.

The United States has broken faith with Jamaica, a country where incomes are about one-eighth the American average and where the millions that went into ethanol production will not be easily replaced. The ethanol case is an example of U.S. trade policy at its erratic and protectionist worst.

Since ethanol made solely from sugarcane is too expensive to be able to compete in the United States, Caribbean producers often turned to European wine as a feedstock instead. The European Community supports wine prices at a high level and has vast surpluses of coarse, undrinkable wine that it dumps — that is, sells below cost — on world markets. The U.S. government assured the Caribbean countries, in a formal ruling, that ethanol produced in the Caribbean qualified for admission to the American market regardless of feedstock.

American corn growers shrieked, and in 1986 Congress changed the rules. It required that a certain proportion of the feedstock must be of Caribbean origin — a proportion too high to allow it to be sold in the United States. For future Caribbean plants, that kind of rule might be tolerable. Congress did not enact the Caribbean Basin Initiative to solve Europe's wine surplus. But for plants already built or under construction, it is grossly unfair.

Congress, suffering an attack of bad conscience, has written a temporary relaxation into the trade bill that it is now completing. But President Reagan has promised to veto that bill. If it does not override the veto, Congress will have an obligation to take up ethanol separately and promptly.

American corn producers are in a strange state of mind. While they adamantly insist on open markets abroad for their grain, they simultaneously insist, equally adamantly, on closing their market at home against even the faintest hint of competition. They can't have it both ways.

—THE WASHINGTON POST.

Other Comment

Slim Summit Expectations

Two weeks from now Mikhail Gorbachev and Ronald Reagan meet in Moscow for their fourth get-together in 30 months. Mr. Reagan can wish Mr. Gorbachev luck in restructuring Russia (while confessing he is not sure how much the West would really relish a stronger Soviet Union). Mr. Gorbachev can wish Mr. Reagan an unstar-crossed retirement next January, on the cusp of Capricorn. Apart from that, nothing much is likely to happen in Moscow: no arms-cutting treaty signed, no hands clasped on deals for ending wars in Asia, Africa or Latin America.

Plethora of conflict-control business is still needed between Russia and the democracies, but most of it can be done in quiet nooks below the summit. There may anyway be somewhat less business to do in the next few years than there has been in the past few. This will disappoint only those who have let themselves be carried away by the recent bout of over-optimism.

They should remember Tantalus, whose punishment from the gods for assuming too much was to see the yearned-for fruit always slipping out of reach. The trouble with sum-

mits is that they lead decent-hearted people to expect too much. "A meeting will help East and West to understand each other better," that is why they disagree so much. "At least it will ease tensions." No. The tensions come from the conflicts of values and interest, not from any lack of talking.

—The Economist (London).

Returning to UNESCO?

We are genuinely pleased to welcome positive indications that the United States, Britain and Singapore will shortly rejoin UNESCO. The United States and Britain have continued international cultural and scientific activities during their UNESCO absence, of course, in part through regional American Centers and British Council offices. But that has not provided the same range of opportunities for the interchanges essential today among countries large and small, newly developing and fully developed. Our complex world is now too interdependent for such key nations to go it alone in their global cultural, scientific and educational contacts.

—The Japan Times (Tokyo).

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Israel at 40: Much Achieved, Much to Do

By Abraham Rabinovich

JERUSALEM — Like a middle-aged housewife who suddenly comes across a picture of herself as a radiant young woman, Israeli passers-by stare reflectively at a 40th anniversary poster showing a photograph of a street crowd in Tel Aviv at the announcement of statehood in 1948. The faces in the photo glow with deep joy, every one wreathed in a smile even though Arab armies were already moving toward the borders of the new state intent on its annihilation.

Israelis, as a nation, have not smiled like that since the aftermath of the 1967 war when they

'Arabs and Jews have had a fantastic past together. We can have a much more fantastic future.'

found themselves not only still alive but ruling an empire stretching from the heights of Syria to the banks of the Suez Canal.

The somber men at 40 is not so much the face of failed dreams as of middle-aged angst compounded by a dilemma over the occupied territories that has split Israel down the middle.

Many of the dreams of the newborn state 40 years ago have been realized more fully than could have been imagined. The 650,000 Jews living in the country at its founding absorbed within three years some 700,000 immigrants — Holocaust survivors and Jews from Arab countries — and settled them in 500 new agricultural settlements and a score of new towns around the country. Veteran farmers and their families moved into the villages as volunteers to teach the rudiments of agriculture and communal organization. It was one of the most successful examples of state building in modern history.

Although Jews had had little experience as farmers since antiquity, Israeli agriculture has become one of the most innovative in the world. The country, largely desert at birth, not only fed itself but became an important supplier of fruit and vegetables to Europe. It even furnishes flowers to the markets of the Netherlands.

Industrially, too, the country has begun to find its way, particularly in high tech and electronics. Hard-nosed economists see the country, now dependent on some \$3 billion in American military and civilian aid annually, achieving economic independence in the coming generation.

Militarily, Israel has proved amazingly virile. It has emerged victorious in five wars and its 3.5 million Jews still offer a formidable deterrent to the 100 million Arabs around them.

Despite all these achievements, a sense of malaise hovers over Israel on its 40th anniversary — which falls on May 14 in the Gregorian calendar but was celebrated in Israel, under the Hebrew calendar, on April 20. To a considerable extent, it is a malaise born not of failed dreams but of achieved dreams — achievement leading to the loss of challenge. But there are also failed dreams.

Israel has not become "a moral light unto the nations" as its founders had hoped. Except for the members of the 280 kibbutzim who follow a clear ideology of equality, the moral quality of the country's life is much like that of any other.

The standard of living and professional opportunities have increased tremendously, but ambitions and talents have grown faster, making the country too small for many of its citizens. Close to 300,000 Israelis have emigrated over the years.

A recent poll shows that one in five Israelis between 18 and 29 have given thought to emigration. The prospect of military reserve duty one month a year until age 50 is an inducement to some to seek an easier life elsewhere. The sense of

malaise also derives from a feeling of hopeless deadlock over central national issues, particularly the future of the occupied territories. So despairing is the left-of-center Israel of finding a solution by political persuasion that many hope that the United States will impose a solution "to save Israel from itself."

Forty years after birth, the country has not moved forward. It brims with energy, but it lacks a political leadership capable of offering a persuasive vision of the future beyond a determination to expend the blood and tears necessary to survive as a Jewish state.

A suggestion of another kind of vision comes from Professor André Chouraqui, an Algerian-born Jewish scholar living in Jerusalem who has been mooted in the past for the Israeli presidency. He advocates a confederation between Israel, Jordan and a Palestine state.

"The conflict stems from fear," Mr. Chouraqui says, "Jewish fear of Arabs and Arab fear of Jews." This mind-set can be changed overnight, he suggests — as it was when Egypt and Israel ended their enmity. The German-French experience has historically been much more bitter than the Israel-Arab experience, he notes, yet the two European nations have now linked their fates in the European context.

"The Arabs and the Jews have had a fantastic past together," Mr. Chouraqui says, referring to their relation in medieval times. "We can have a much more fantastic future."

Before such a vision can be regarded as viable, Israel will likely have to pass through wrenching internal conflict and possibly the threat of another war that will make the choices clear-cut and immediate. It is from the edge of the abyss that one sometimes best discerns historical vistas.

Mr. Rabinovich is a feature writer for the Jerusalem Post and author of "The Boats of Cherbourg," published last month. He contributed this comment to the International Herald Tribune.

Development Is Mandatory and Has to Be Different

By Nafis Sadik

The writer is executive director of the United Nations Population Fund.

NEW YORK — Practically all developing countries are in danger of falling into a trap set by a mix of poverty and rapid population growth.

As the number of people grows, they are searching for a way out. But the search is destroying the very resources on which they depend for their survival.

Last year the world population reached five billion. It increases by 150 million, 220,000 a day, more than 80 million a year. Ninety percent of this growth is in developing countries.

Reaching five billion was a landmark, and a tribute to human resourcefulness and adaptability. But it was also a warning. Scientists have been telling us for some time that the global environment may be reaching the limits of what it can absorb in the way of human interference.

Industrialized countries are already familiar with the effects of oil spills, acid rain, radioactivity and many other by-products of industry. So far we have been more or less content to live with the damage, because it also produces wealth beyond the dreams of our ancestors. But what would five or six or eight billion people, consuming resources and creating waste in the style of the United States, France or Japan, do to the global environment?

In developing countries, the great tropical forests are being invaded and destroyed at the rate of 11 million hectares (27 million acres) a year. The pressure of humans and their animals on pasture and woodland is turning six million hectares a year into desert. Overcultivated hillside, stripped of their trees, are losing billions of tons of topsoil each year. Irrigation may be contributing to the problem.

Waterlogging and salinization affect perhaps half the world's irrigated areas. The land is shrinking even as people's numbers grow.

All countries are not equally affected, but none are immune. Few take account of the effect of their actions on their own and the world's environment. Some are already beginning to pay a terrible price for this neglect of "environmental accounting."

To survive this deepening crisis, developing and industrialized countries must realize that development cannot follow the path of Europe or the United States. In the first place, there is no time. Population growth now is three or four times as fast as it was in

Europe's heyday. In the second place, the attempt would be suicidal. Eight billion people consuming resources and creating waste in the style of the United States, France or Japan would quickly destroy the resource base.

We have hardly heard the first, let alone the last, of the environmental cost of development. India and China have put in place major projects to rescue some of the most damaged areas. To free the Ganges of human, agricultural and industrial waste, India has committed the equivalent of \$300 million. This is only a start. The Ganges watershed and plains support a quarter of India's population, more than 250 million people, and more than 100 cities line its banks. A real cleanup would cost billions.

Developing countries will continue to seek industrial growth, and the richer countries will help them as a matter of self-interest as well as of altruism. But the experience of industrialized countries is that industrial pollution increases before it can be reduced. Cost can put reduction out of reach.

Two possibilities offer themselves. The first is to work on cleaner technology and energy conservation. This is principally a task for the industrialized countries, who have the lead in advanced technology and the money to pay for it. The cost of clean technology may be high, but it cannot exceed the cost of life itself.

The second is to work directly on slower population growth — the responsibility of the developing countries. They cannot afford the luxury of leisurely progress from larger to smaller families as in Europe and America. They have to look for swifter routes.

China, Indonesia, Thailand, Mexico and many others have shown that rapid population growth can be slowed. They work on public health, education, family planning; and on an expanded role for women outside the traditional sphere of family and home. They give social development equal importance with economic growth.

When poor families are offered hope, their expectations rise. As with all of us, their expectations are partly economic. But the economic element is a means to an end. What they and

all humans are interested in is a better life. Given the possibility, that includes spacing the children, two or three years apart, which probably means a smaller family. The children will be healthier, and so will the mother. Less means more; quality is more important than quantity, when the choice is available.

A better life for the world's poor — health, education, housing, civil rights and a measure of political freedom and justice — is not free. But it is available at a cost that developing countries can afford, given the will and some aid. Such gains contribute to development, but they do not pollute. They are within reach, now.

They are not the final answer, but they show the way ahead. The United Nations Population Fund has been among those arguing that social development should not be sacrificed to economic "adjustment" when debt repayment is discussed. Social development is not a luxury. It may be the only true development we can afford, and thus the surest chance for peace.

The writer, a Pakistani physician, took charge of the UNFPA in March 1987. He contributed this comment to the International Herald Tribune.

Build Economies Instead of Bleeding Them

By Rudiger Dornbush

CAMBRIDGE, Massachusetts — Cut away the complexities and the international debt problem reduces to a choice: bleed or build.

The current course, favored by U.S. Treasury Secretary James Baker, amounts to a treadmill of pretense and make-believe on which both debtors and creditors are falling behind. The debtors can neither afford to pay nor to walk out on the system. The creditors are unwilling to put up new money. And so the blood flows.

The major proposals for solving the problem — swaps of debt for equity in debtor countries' enterprises, or a public debt facility to write down some or all of the \$450 billion in outstanding loans — ignore the debtor countries' most pressing need. Rather than straightforward debt relief, they need help reconstructing their economies in order to produce the growth that will allow them to resume debt service.

Reconstruction is built on two prin-

ciples: temporary suspension of interest payments in dollars, and major policy reform. Dollars transferred to foreign creditors exact a harsh toll, cutting steeply into growth and investment while creating strong inflationary pressures. But under this new approach debtors would pay interest only in local currency, which the creditors could invest as they saw fit, with only one limitation: The money could not be repatriated for some time.

For their part, the debtor countries would have to take steps to reassure foreign creditors that the local currency payments could be profitably reinvested. This would require two steps.

First, they would actually have to make room in their budgets for payments to creditors; there can be no question of simply printing money to inflate away the interest payments.

Second, they would have to quiet nationalist resentments aroused by foreign investment — which might not be as hard as it sounds. After all, intrusions on their sovereignty by banks, governments and the IMF are far more pervasive and destructive than some foreign companies coming in and employing some people.

Growth and financial stability in Mexico, Brazil and the Philippines would help create a business climate in which investment would be profitable. With any luck, within 10 years the debt could be paid routinely out of the reflow of flight capital and voluntary foreign investment. Even if not a sure thing, reconstruction is a more promising way to get one's money back than putting debtor countries into depression and hyperinflation.

Debtor countries claim that debt service has choked off growth and investment in their economies. Creditors keep telling us about the wonderful investment opportunities (for others) in developing countries. Recycling takes up the challenge.

Debtors would retain the funds to support reconstruction, but the money would be invested and managed by outsiders, insuring against its dissipation in poor fiscal policies or premature growth of consumption. Creditors would forgo interest payments denominated in dollars, but their claims would be enhanced by a sharply improved business climate and growth performance in the debtor countries.

Surely the public interest is better served by debtor reconstruction than by Secretary Baker's treadmill.

The writer is professor of international economics at the Massachusetts Institute of Technology. He contributed this comment to The New York Times.

Chirac Out: Bush Might Take Note

By Jim Hoagland

PARIS — In case George Bush is planning to have a nice day, his advisers should keep him away from the postmortem being conducted on the French presidential election. The crushing defeat suffered by the center-right candidate, Prime Minister Jacques Chirac, contains some troubling signs for Mr. Bush and the campaign strategy he is following.

Like Mr. Bush, Mr. Chirac started the campaign counting mightily on voters to subordinate misgivings about character and disagreements on specific issues to a sense of economic well-being. As long as the economy appeared to be doing well, Mr. Chirac believed, the voters would reward those who were managing it.

Mr. Chirac's losing strategy was designed by his campaign manager, Edouard Balladur, who created as the cover manager, the campaign from his job as finance minister. For Mr. Balladur, keeping inflation down, interest rates stable and job-creation programs ticking — all of which he accomplished — would lead Mr. Chirac to victory.

That same list of priorities would undoubtedly be endorsed by James Baker, who has preferred to stay as Treasury secretary to ensure that the economy and Mr. Bush both look healthy in November, rather than resume the over role he played as Mr. Bush's campaign manager in 1980.

When controversy erupted around immigration and education reform, Mr. Chirac backedpedaled from them quickly, reacting much as Mr. Bush does at criticism of his campaign. He left Edouard Balladur to handle the controversy. Cool it, Mr. Balladur told him, only the economy counts.

"But the economy was not enough," one of Mr. Chirac's advisers observed after he had finished packing up his office and turned out the lights there for the last time. "With nothing threatening on the economic front, quoting numbers wasn't decisive. Voters felt they were being addressed directly by François Mitterrand or Jean-Marie Le Pen, while we weren't taking on the real issues or defining ourselves."

The list of contrasts between the French and U.S. campaigns would be long, topped no doubt by the fact that the U.S. economy is in a much stronger position. But the spurious autopsy that Mr. Chirac's entourage is conducting on what went wrong suggests that there may be broad applicability this year for that favorite saying of political sage Ronald Wilson Reagan, "You can run but you can't hide."

Embarrassed by his defeat, Mr. Chirac resigned as prime minister and turned over his duties to Mr. Mitterrand's Socialist appointee, Michel Rocard. Television and radio broadcasts included a telling detail at the top of their accounts: Tuesday's election over. The opponents called each other "tu," the familiar form of address in French, instead of the formal "vous," during the brief ceremony.

It is not quite as if Jimmy Carter had called Ronald Reagan "ol' buddy" at the inauguration in 1981, but it is close. The Chirac-Rocard outcome and the emphasis that was put on it here show that the rapid political turns from left to right and back again have not altered underlying cultural patterns in this thousand-year-old nation.

First there is the role of language. English speakers look on language as a vehicle of communication, but French has many other purposes. French is used to define personal relationships and status, to shelter ideas and passions as well as to expose them, to perform glittering verbal dances in social settings, and at times to prevent any real communication. Its strict rules of grammar help identify which purpose is being served.

Then there is the hold on power exercised by an elite specifically trained to rule this centralized society. Mr. Chirac and Mr. Rocard use "tu" because they were college chums; despite their sharp political differences, they have remained friends.

Both as administrators and as politicians, the graduates of the Ecole Nationale d'Administration, the exclusive postgraduate faculty set up after World War II to gather France's best and brightest and make them into the top mandarins of the civil service, nationalized industries and political institutions. The three last prime ministers have been *énarques*, as graduates of the school are called.

The rightist *énarques* who ran Mr. Chirac's government are likely to have nothing more than perfunctory chats with the leftist *énarques* who replaced them under Mr. Rocard. It was a transition that was essentially completed in 72 hours, leaving the French to recall de Gaulle's dictum that the world's graveyards are full of indispensable leaders.

The Washington Post.

100, 75 AND 50 YEARS AGO

1888: A Letters Auction

PARIS — A collection of autograph letters will be sold at the Hotel Drouot [on May 14]. The autographs comprise guaranteed signatures of Mozart, Alexandre Dumas, Jean-Jacques Rousseau, Lamartine, Victor Hugo, Boileau, Alfred de Vigny and others. One letter from Balzac relates to his romance, "Les Chouans." Another is from Baudelaire to Théophile Gautier. Henry III, King of France, writes to the inhabitants of Lyons a letter dated September 26, 1575. A letter from Schiller to Goethe is dated April 25, 1805, just 16 days before Schiller's death.

1913: Rioting Barbers

NEW YORK — Thousands of barbers on strike rioted in Broadway and other parts of the city last night [May 12]. The strikers forced their way into the hotels and barber shops, threatening the men still at work, and in many cases compelled them to stop.

Stones were hurled at the windows, and customers had narrow escapes. In Herald Square, the barbers came into collision with the police, and many persons were injured.

1938: Henlein in London

LONDON — Konrad Henlein, Czechoslovakia's "pocket Hitler," stirred London today [May 13] by preaching Hitler's gospel of emancipation for the 3.5 million Germans in Czechoslovakia. Herr Henlein arrived in England last night. Today he went the rounds of nearly all shades of political opinion, developing his thesis that peace in Central Europe depends upon drastic reorganization of the Czech state to provide Home Rule for the German and other minorities. Herr Henlein began his day by rushing from his hotel to lunch with Winston Churchill and Sir Archibald Sinclair, leader of the Liberal Opposition. This afternoon, Herr Henlein was the guest of Harold Nicolson, National Laborite M.P.

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one of the chief factors fueling speculation that interest rates were on the rise. The worries culminated Wednesday, when U.S. banks bumped their prime lending rates up by a half-percentage point to 9 percent.

Investors also were cheered by the conclusion Thursday of the Treasury Department's quarterly auction of about \$26 billion worth of bonds and notes, which proceeded largely according to expectations. About \$8.5 billion of the benchmark 30-year Treasury bonds were sold at an average yield of 9.17 percent.

"You have to remember that both the bond and stock markets were extremely oversold," said Larry Wachtel, a market analyst with Prudential-Bache Securities Inc.

"The Treasury financing was completed and went rather well," he continued. "The PPI number came in as expected — the bond market took heart at the financing — which was a hurdle — being out of the way, and secondly, that the PPI was not threatening."

Mr. Wachtel said the two factors combined to spark a rally in the bond market and stock prices followed.

"It seems to be stocks following bonds," he said.

Rodd Anderson, a vice president in equity trading with Shearson Lehman Hutton Inc., said the favorable news on prices "helped the market's tone."

"The market was a little oversold on a technical basis, and we're seeing a bit of a bounce back from that," Mr. Anderson said.

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Triumphs in TV technology
SAMSUNG Electronics
SATURDAY-SUNDAY, MAY 14-15, 1988

ECONOMIC SCENE

In Prime Rate Increase, The Fed's Role Is Evident

By LEONARD SILK
New York Times Service

NEW YORK — This week's jump in the prime rate by half a point, back to the 9 percent level of October before the market collapse, troubled the stock market, but it was no surprise. The prime usually lags behind other interest rates, most of which have been climbing for the past two months, and its rise was overdue.

After the report on May 6 that the U.S. unemployment rate had gone down to 5.4 percent, a 14-year low, bankers expected the prime rate to go up by the end of this week. Its move Wednesday followed signs that the Federal Reserve was "squeezing" — cautiously tightening money and credit.

Objective evidence that the Fed was tightening could be found in the rise of the federal funds rate, which banks charge each other for overnight loans.

Fed officials, who resent the charge that they are overreacting to the market, say that the Fed speaks by what it does in the marketplace. This week it spoke by reducing the availability of reserves and pushing up the funds rate, which it controls.

Nevertheless, the Fed does not like to say clearly what it intends to do, lest it lose flexibility and give the markets a fixed target to shoot at. Nor does it like anyone else to speak for it. It wants neither praise nor blame from White House or Treasury. It regards its independence as crucial to its credibility, especially in an election year.

There are two critical questions in resolving the Fed's decision at this point: How strong is the economic expansion? And how great is the inflation threat?

The expansion looks quite strong, but not booming, to the great majority of economists. Blue Chip Economic Indicators, a newsletter giving the consensus of 50 leading economists, has just changed the color of its masthead from yellow, signifying sluggish and uncertain growth, to green, meaning solid growth of 3 percent or more.

But the average forecast is for just 3 percent growth in gross national product in 1988 and 2.1 percent growth in 1989. The consensus is that the GNP deflator will rise only 3.1 percent this year and consumer prices 3.9 percent.

THE FED's view does not differ significantly from that of the private economists. Looking at the numbers closely, it finds little evidence of inflation now, although it does see relative tightness in certain areas. But the Fed worries that the environment is gaseous and that a lighted match would cause an explosion.

Its mood is extremely cautious. And for the foreseeable future its policy looks like further squeezing, with the funds rate crawling up.

Some Fed coaches urge the central bank to do again what it did in 1984: Although that was an election year, the Fed braked the economic expansion, in the process lifting the federal funds rate to 11.75 percent from 9.50 percent.

Robert J. Barbra, chief economist of Shearson Lehman Hutton, offers these three arguments against repeating the 1984 brakeman approach:

First, the inflation-adjusted gross national product is advancing at about a 3 percent pace, well below boom proportions, compared with 6.8 percent in 1984.

Second, the current expansion is being stoked by a just beginning investment commitment by American manufacturers; a recession would cut it short and kill hopes of curing the U.S. trade imbalance.

Third, a move to the 1984 brakeman strategy now would invite "a return of the October 1987 stock market debacle."

Iberia, Airbus Sign Deal
23 Jetliners Will Cost \$930 Million

Reuters

MADRID — Spain's state airline, Iberia, has signed a \$930 million agreement with the European aircraft consortium Airbus Industrie to buy 23 passenger jets as part of a drive to renew its fleet, an Iberia spokesman said Friday.

Iberia will buy 15 A-320s and 8 long-haul A-340s now under development, the spokesman said.

Iberia will pay \$450 million for the A-320s and will start to take delivery in 1990. Delivery of the A-340s, which will cost \$480 million, is to start in 1994.

The agreement follows a memorandum of understanding on the purchase reached in December.

The purchases are part of Iberia's plans to renew its current fleet of 83 aircraft. The 15 A-320s are aimed partly at its short- and medium-range fleet, which now has about 60 Boeing 727s and McDonnell Douglas DC-9s.

A spokesman said Iberia had agreed to collaborate in development of the long-haul A-340s, which were to replace its Douglas DC-10s.

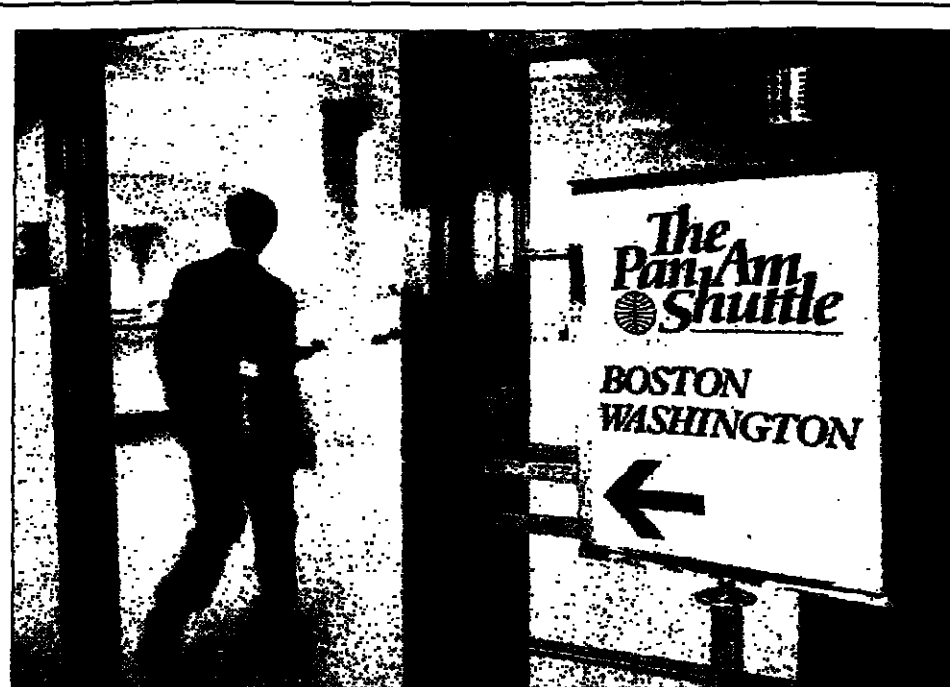
Iberia reported profits of \$79 million (€78.5 million) in 1986, ending seven years of consecutive losses. It carried 13.65 million passengers, making it Europe's third largest airline after British Airways and Lufthansa of West Germany.

The airline said last year that it expected profits of about 10 billion pesetas in 1987.

Iberia expects to decide on purchases to replace the rest of its short- and medium-range fleet next year, the spokesman said.

Airbus Industrie is a consortium made up of Aerospatiale of France, Messerschmitt-Bölkow-Blohm GmbH of West Germany, British Aerospace PLC and Construcciones Aeronauticas SA of Spain.

The Iberia order is a boost for the consortium's A-340s, which face competition from other long-haul airlines, including McDonnell Douglas's MD-11, due to go into service in 1990.



The entrance to Pan Am's shuttle terminal at La Guardia Airport in Queens, New York.

Shuttle Diplomacy, Pan Am-Style
It Gains on Prized Route as Problems Beset Eastern

By Jonathan P. Hicks
New York Times Service

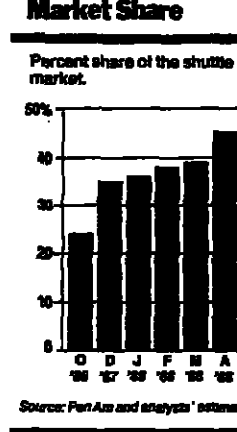
NEW YORK — There is at least one man who has no trouble finding a silver lining in the dark cloud now hanging over Eastern Airlines: Frank A. Signor, the executive who oversees Pan American World Airways' shuttle operation at La Guardia Airport.

Since Pan Am started its Boston-New York-Washington shuttle in October 1986, it has been an underdog, struggling to make a profit and to break Eastern's longtime stranglehold on the business.

The importance of the shuttle service for Eastern and Pan Am transcends their bottom line: The shuttle also provides them a rich opportunity to build loyalty among highly sought business travelers — either by impressing them with their service or by enlisting them as members of their frequent-flyer programs.

After a shaky start, Pan Am has received the benefit of Eastern's labor and service problems and a Federal Aviation Administration's safety investigation of the carrier. The government said it was concerned with plans by Texas Air Corp., Eastern's parent, in the past year to take away

Pan Am's Growing Market Share



Source: Pan Am and analysts' estimates.

NYT

up by several hundred passengers a day, Mr. Signor said.

Pan Am says its share of the shuttle market has increased to about 45 percent from about 38 percent in March. Before that, Pan Am officials say, their market share had grown by an average of one percentage point a month since the service began.

Paula Musto, a spokesman for Eastern, said the airline had not yet compiled passenger figures for April but "shuttle traffic has remained very strong."

"The total shuttle market has increased over the last year," she said.

However, when asked whether the FAA investigation had hurt the Eastern shuttle, she said, "The answer is obviously yes."

The shuttle service accounts for only a small part of Eastern's revenues — \$41 million of the company's \$723 million in the first quarter. But the shuttle routes have historically been highly profitable for Eastern.

More business travelers fly the Boston-New York-Washington route than any other route in the United States.

This was a major reason why the loss-ridden Pan Am agreed to pay a substantial \$60.7 million

See PAN AM, Page 11

Producer Prices In U.S. Rose 0.4% in April

Compiled by Our Staff From Dispatches

WASHINGTON — U.S. wholesale prices rose 0.4 percent in April, the Labor Department reported Friday, and economists said the increase suggested that economic strength would send inflation creeping higher this year, but the pace would not be dangerously rapid.

The rise in the producer price index, which largely reflected sharply higher energy costs, was exactly in line with Wall Street's forecasts. So far this year, producer prices have risen at an annual rate of 2.9 percent.

Excluding food and energy, two volatile categories that often distort the underlying inflation trend, the producer price index rose just 0.1 percent in April.

The modest increase, together with the report Thursday of a 0.6 percent drop in retail sales in April, was likely to allay some financial market fears that the U.S. economy is on the verge of overheating.

"Inflationary fears are being somewhat exaggerated," said Lawrence Chimerine, chief economist of the WEFA Group in Bala Cynwyd, Pennsylvania. "Inflation is moderate and is not really accelerating very dramatically."

Separately, the Commerce Department said business sales rose 1.9 percent in March, the biggest gain in more than a year, while business inventories rose 0.3 percent, the smallest increase in seven months.

The combination of booming sales and the slow growth of inventories was considered good news for the economy, pointing to expected increases in production.

But analysts said the business sales increase in April was not likely to be as strong, citing the government report on Thursday that retail

sales fell last month by 0.6 percent. In March, retail sales rose 1.7 percent.

A steadily expanding economy and restrained inflation is an ideal recipe for Republicans running in the general election in November, political analysts said.

Producer prices rose 0.6 percent in March and 1.7 percent in the 12 months that ended in April, the government said.

Finished energy goods costs, which fell 0.8 percent in February and rose 0.9 percent in March, jumped 3.1 percent last month but were still 1.3 percent below their level a year before.

Much of the energy rise was due to natural gas prices, which fell in five of the six previous months but gained 4.3 percent in April.

Food prices rose 0.4 percent in April after a 0.7 percent March increase and were 0.9 percent above their level year ago.

After a 0.4 percent increase in March, capital equipment prices rose only 0.2 percent in April.

The index for intermediate goods rose 0.8 percent in April after rising 0.6 percent in March and being unchanged in February.

Increases at the intermediate stage of processing were broad-based, led by metals, chemicals and paper products.

The index for crude goods rose 1.3 percent in April after falling 0.4 percent in March and was 3.6 percent above its year-earlier level.

Crude price increases were led by petroleum, which rose 3.2 percent in April after falling 5.0 percent in March, and natural gas, which rose 4.3 percent in April after a 0.1 percent March drop.

Excluding energy, crude price increases slowed last month to 0.4 percent from 0.9 percent in March. (Reuters, AP, UPI)

Incentives Boosted Sales For Big 3 in Early May

The Associated Press

DETROIT — The rush to beat widespread buyer-incentive deadlines boosted sales of domestic-made cars and light trucks 35.2 percent in early May, compared with sales a year earlier, industry analysts said Friday.

Automakers sold 204,270 domestic-made cars and light trucks in the eight selling days in the May 1-10 period, up from 151,131 in the same number of selling days a year earlier, the companies reported.

Last year, the incentives expired in April, depressing sales in early May, said David Healy, an analyst with Drexel Burnham Lambert in New York.

"Sales at the end of an incentive period are always exaggerated because of the rush to buy," said Chris Cederberg, analyst with J.D. Power & Associates in Agoura Hills, California.

General Motors Corp., the industry leader, sold 35.1 percent more cars and light trucks, while sales for No. 3 Chrysler Corp. jumped 48.6 percent from a year earlier.

Chrysler's sales rose on most vehicles, including a 72 percent increase in Jeep sales from sales by American Motors Corp. and a 55 percent increase in minivan sales.

Chrysler held 57 percent of the minivan market in April, said Barton Bates, a Chrysler spokesman.

For Ford Motor Co., the No. 2 maker, combined car and truck sales were up 31.5 percent, setting a company record for the period. Ford's truck sales also passed GM's and set a separate company record for the period, said Ray Windecker, a Ford analyst.

The Big Three extended their incentive programs after May 11 but reduced the numbers of models covered in some cases and cut the size of rebates on many vehicles because inventories of unsold vehicles have been cleared out.

"Incentives are a way of life at the moment," Mr. Healy said. "The only question: Are they big ones or small ones?"

Indigo Take-off
McGraw-Hill recently decided to double its book production because of huge savings achieved by electronic editing and the ability to select material in exploding electronic-delivery markets. Wire, phone, fax or telex for complete information covering speeded-up contributors to such processes whose shares will be soaring along with MFP's.

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30-31	Dec	82-88	82-89	82-90	82-91	82-92	82-93	82-94	82-95
30-32	Jan	82-89	82-90	82-91	82-92	82-93	82-94	82-95	82-96
30-33	Feb	82-90	82-91	82-92	82-93	82-94	82-95	82-96	82-97
30-34	Mar	82-91	82-92	82-93	82-94	82-95	82-96	82-97	82-98
30-35	Apr	82-92	82-93	82-94	82-95	82-96	82-97	82-98	82-99
30-36	May	82-93	82-94	82-95	82-96	82-97	82-98	82-99	83-00
30-37	Jun	82-94	82-95	82-96	82-97	82-98	82-99	83-00	83-01
30-38	Jul	82-95	82-96	82-97	82-98	82-99	83-00	83-01	83-02
30-39	Aug	82-96	82-97	82-98	82-99	83-00	83-01	83-02	83-03
30-40	Sep	82-97	82-98	82-99	83-00	83-01	83-02	83-03	83-04
30-41	Oct	82-98	82-99	83-00	83-01	83-02	83-03	83-04	83-05
30-42	Nov	82-99	83-00	83-01	83-02	83-03	83-04	83-05	83-06
30-43	Dec	83-00	83-01	83-02	83-03	83-04	83-05	83-06	83-07
30-44	Jan	83-01	83-02	83-03	83-04	83-05	83-06	83-07	83-08
30-45	Feb	83-02	83-03	83-04	83-05	83-06	83-07	83-08	83-09
30-46	Mar	83-03	83-04	83-05	83-06	83-07	83-08	83-09	83-10
30-47	Apr	83-04	83-05	83-06	83-07	83-08	83-09	83-10	83-11
30-48	May	83-05	83-06	83-07	83-08	83-09	83-10	83-11	83-12
30-49	Jun	83-06	83-07	83-08	83-09	83-10	83-11	83-12	84-01
30-50	Jul	83-07	83-08	83-09	83-10	83-11	83-12	84-01	84-02
30-51	Aug	83-08	83-09	83-10	83-11	83-12	84-01	84-02	84-03
30-52	Sep	83-09	83-10	83-11	83-12	84-01	84-02	84-03	84-04
30-53	Oct	83-10	83-11	83-12	84-01	84-02	84-03	84-04	84-05
30-54	Nov	83-11	83-12	84-01	84-02	84-03	84-04	84-05	84-06
30-55	Dec	83-12	84-01	84-02	84-03	84-04	84-05	84-06	84-07
30-56	Jan	84-01	84-02	84-03	84-04	84-05	84-06	84-07	84-08
30-57	Feb	84-02	84-03	84-04	84-05	84-06	84-07	84-08	84-09
30-58	Mar	84-03	84-04	84-05	84-06	84-07	84-08	84-09	84-10
30-59	Apr	84-04	84-05	84-06	84-07	84-08	84-09	84-10	84-11
30-60	May	84-05	84-06	84-07	84-08	84-09	84-10	84-11	84-12
30-61	Jun	84-06	84-07	84-08	84-09	84-10	84-11	84-12	85-01
30-62	Jul	84-07	84-08	84-09	84-10	84-11	84-12	85-01	85-02
30-63	Aug	84-08	84-09	84-10	84-11	84-12	85-01	85-02	85-03
30-64	Sep	84-09	84-10	84-11	84-12	85-01	85-02	85-03	85-04
30-65	Oct	84-10	84-11	84-12	85-01	85-02	85-03	85-04	85-05
30-66	Nov	84-11	84-12	85-01	85-02	85-03	85-04	85-05	85-06
30-67	Dec	84-12	85-01	85-02	85-03	85-04	85-05	85-06	85-07
30-68	Jan	85-01	85-02	85-03	85-04	85-05	85-06	85-07	85-08
30-69	Feb	85-02	85-03	85-04	85-05	85-06	85-07	85-08	85-0

Currency Trading Halted in Iceland

Reuters

REYKJAVIK — Iceland's central bank stopped all foreign currency transactions Friday as the government began talks on devaluing the krona, officials said. They said trading was halted, with the krona at 38.85 to the dollar, because of increasing speculation amid rumors of a devaluation.

Prime Minister Thorstein Pálsson said his government was in complete agreement with the central bank decision. A devaluation had been planned later this month, he said, but speculation made the freeze necessary immediately.

The fishing industry, which contributes 70 percent of Iceland's export earnings, has sought a deval-

Halted in Iceland

REYKJAVIK — Iceland's central bank stopped all foreign currency transactions Friday as the government began talks on devalu-

ing the krona, officials said. They said trading was halted, with the krona at 38.82 to the dollar, because of increasing speculation

Prime Minister Thorsteinn Pálsson said his government was in

complete agreement with the central bank decision. A devaluation had been planned later this month, he said, but speculation made the

The fishing industry, which contributes 70 percent of Iceland's ex-

port earnings, has sought a devaluation of at least 20 percent, partly because of falling fish prices. Earlier this year the krona was devalued

percent to pay for a 16 percent wage rise for blue-collar workers.

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Age group	Percentage of correct responses
1	85
2	90
3	95
4	98
5	100

BUSINESS ROUNDUP

Endesa Starts 53 Million-Share Sale

MADRID — The state power utility, Endesa Nacional de Electricidad S.A., began placing 20.38 percent of its capital with Spanish and foreign investors Friday in an offering expected to raise 74.2 billion pesetas (\$663 million).

The offering of 53 million Endesa shares is Spain's biggest market flotation ever, and stock analysts say it is the largest share placement in Europe since the market collapse in October.

It is also the most ambitious privatization of a Spanish state company, and thus is seen as a forerunner to the planned flotation later this year of the state oil company Repsol S.A.

Claudio Aranzadi, chairman of the state holding company Instituto Nacional de Industria, or INI, which owns Endesa, said shares in the utility would be offered to the public at 1,400 pesetas each.

Endesa shares last traded at 1,512 pesetas apiece. Their trading was suspended May 6 pending completion of the flotation plan.

"This is the biggest operation of this kind ever carried out in Spain,"

Mr. Aranzadi said at a news conference. "We want as many private investors as possible to have a share in the company."

INI now owns 96 percent of the country's biggest electrical utility. The rest of Endesa's stock is in private hands.

INI and other Spanish state holding companies are pursuing a policy of offering shares to the public in the country's more successful state-held businesses while retaining majority control.

Mr. Aranzadi said Friday in an interview, however, "We do not envisage offering any more shares in Endesa to the public in the foreseeable future."

Endesa, which generates 32 percent of Spain's electricity, reported net group profit last year of 51,077 billion pesetas on sales of 422.12 billion pesetas.

Of the shares being placed, 38 million are being offered to Spanish investors and foreigners living in Spain, one million have been reserved for employees of the INI group and Endesa, and 14 million are to go to foreign investors.

More than 9 million of the shares going overseas are being placed in New York. Endesa shares will be listed on the New York Stock Exchange at the end of May or in early June. The U.S. investment bank Goldman, Sachs & Co. is handling the placement of shares in the United States.

An INI official said the offer would close May 28. Trading in Endesa shares on the Madrid stock market is now scheduled to resume June 1, but the move could be delayed until June 6.

The holding company recently offered shares in the paper producer, Empresa Nacional de Celulosa to the public, and it is drawing up plans to sell shares next year in Iberia airline, which returned to profit in 1986 after years of losses.

Earlier this year, INI itself reported that it had halved its losses in 1987, to 50 billion pesetas.

Repsol, owned by the state energy holding company Instituto Nacional de Hidrocarburos, will float up to 45 percent of its shares this autumn.

Maxwell to Tap Swiss Market For Acquisition

ZURICH — Maxwell Communication Corp. plans to float a 150 million Swiss franc (\$107 million) bond issue on the Swiss capital market, spokesmen at Banque Paribas Suisse, the lead manager, said Friday.

Robert Maxwell, chairman of the company, said earlier that some of the proceeds would be used to finance an unspecified acquisition in the United States. He has also said that he is trying to build financial resources to launch a "major offensive" aimed at acquiring advertising and marketing companies worldwide.

He said he had negotiated a \$2 billion line of credit with an international bank consortium.

Subscriptions to the seven-year issue are to begin Monday.

Industry Team Led by GE Wins Major SDI Contract

By John H. Cushman Jr.

WASHINGTON — The Defense Department, awarding one of the largest contracts yet under the Strategic Defense Initiative, has chosen an industry team led by General Electric Co. to play a leading role in the development and initial deployment of defenses against ballistic missiles.

Under the \$236 million contract, the companies would serve as architects for a system of interceptors, missiles, sensors and communications links, many of them based on satellites, that would be deployed beginning in the late 1990s as the first phase of President Ronald Reagan's SDI program.

The GE team, which won the competition over a team led by General Dynamics Corp., includes several subcontractors.

The main ones are Science Applications International Corp., American Telephone & Telegraph Co.'s federal systems division, Nichols Research Corp., McDonnell Douglas Astronautics Co. and Computer Science Corp.'s defense systems division.

The companies will not build much of the hardware under this contract. But their work, described as "systems engineering and integration," will influence the course of what could become the next decade's most ambitious arms project.

The first phase is expected to cost \$100 billion to \$150 billion. Even before the final decision on deploying the weapons can be made, some time in the mid-1990s, the Pentagon expects to spend many billions of dollars on additional research into the technologies that would be used.

The contract is for five years' work and includes provisions for two optional extensions of two years each.

It represents a notable step toward eventual deployment of an SDI defense, after a Pentagon decision last fall to begin development of the key systems envisioned as part of the initial strategic defense set-up are a ground-based interceptor that would strike ballistic missile warheads before they re-enter the Earth's atmosphere; a space-based intercepter, whose high-speed rockets would be fired from orbiting satellites at missiles rising from the Earth or at nuclear warheads moving through space; a ground-based system for detecting and tracking warheads in space, or a space-based sensor for the same tasks.

The burden on the General Electric team is to assure that the complex hardware involved in the program uses the same computer language, communicates by common radio frequencies, and otherwise works in concert.

Grahams Win Vote on Post

Washington Post Service

WASHINGTON — Stockholders of the Washington Post Co. have approved changes in the corporation's charter that will guarantee continued control of the company by the Graham family and block any takeover attempt.

The Post company has two classes of stock: about 2 million shares of Class A voting stock, all controlled by members of the Graham family, and about 9 million shares of Class B stock that were sold to public investors in 1971 and carry limited voting power.

The charter change approved Thursday requires majority votes by both classes of stock to approve any merger, in effect giving the Graham family veto power over mergers.

Toronto Sun to Pursue Washington Plans

By Herbert H. Denton

Washington Post Service

TORONTO — Although disappointed by their failure to conclude an agreement to buy a suburban Washington printing firm, officers of Toronto Sun Publishing Corp. say they still are pursuing plans to start a daily tabloid newspaper in Washington.

The Canadian company plans to send one of its senior executives, Harley Steward, to Washington in September to write a column for the Sun and to survey the local market.

A Toronto Sun tabloid in Washington would likely be considerably different in editorial tone than The Washington Post or Washington Times, analysts say.

In addition to its flagship newspaper, the Toronto Sun, Canada's third-largest newspaper, the corporation owns tabloids in Calgary and Edmonton. All three papers rely heavily on newsstand sales and use as one of their lures a daily photograph of a scantily clad "Sunshine Girl." In the Toronto paper,

there also is a daily photo of a "Sunshine Boy."

Mr. Steward was in London last year, looking into the possibility of starting a new tabloid there. However, he said, the Sun decided London "was not for us."

He returned to Toronto to oversee the launching of a new tabloid financial daily, the Financial Post, which is a joint venture with Britain's Pearson Group, publisher of the Financial Times. Another Sun newspaper, the Houston Post, was sold last year to Hearst Corp. in a transaction that netted a profit of more than \$40 million.

Speculation about the Sun was thinking about entering the Washington market arose out of the company's attempts to purchase Comprint Inc., a printing company in Gaithersburg, Maryland. After months of negotiation, the proposal to pay \$10.5 million for the firm collapsed.

The Sun first considered starting a daily in Washington in 1981, after Time Inc. halted publication of the

Washington Star. But the idea was dropped because the company was unable to make arrangements to print the proposed newspaper.

Mr. Steward said that despite the failure of the Comprint deal, the Sun still would explore possibilities in Washington and could decide eventually to build its own printing plant.

According to Marianne Godwin, a media analyst for Merrill Lynch Canada Inc., Toronto Sun Publishing had more than 590 million in cash and short-term investments at the end of 1987 and was virtually debt-free.

In pondering the possible move into the Washington market, Sun Corp.'s advisers privately have questioned whether they might run into resistance from people opposing foreign ownership of a local daily, although there are no legal restrictions against such ownership in the United States.

Canadian law prohibits foreigners from owning more than a 25 percent interest in a newspaper.

TRADE: Japan Surplus Narrows

(Continued from page 1)

nese products more expensive in the United States.

Japanese car makers were mainly to thank for the drop in the surplus with the United States. Car exports to the United States slumped by more than 20 percent last month as U.S. consumers shied away from paying the higher prices now on Japanese vehicles.

Imports of U.S.-made cars more than quadrupled in April. Adding to that growth were 1,350 vehicles made at Honda Motor Co.'s plant in the United States.

Although Japan cut its surplus with the United States, the surplus with the European Community was sharply higher, growing to \$2.30 billion in April from \$1.82 billion a year earlier. Exports rose 36.1 percent, to \$4.17 billion, while imports grew 50 percent, to \$1.87 billion.

With Southeast Asia, the surplus grew to \$1.27 billion from \$1.16 billion, as exports rose 29.8 percent and imports 37.2 percent.

Despite the monthly improvement in the overall balance last month, Nobuyuki Ueda, senior economist at Long-Term Credit

Bank of Japan, said he was not optimistic that Japan's trade surplus would decline fast enough to ease trade friction with other countries because of signs that exports were beginning to rise again.

Although Japanese exports to the United States dropped for the first time in eight months in April, Mr. Ueda expressed doubts that the trend would continue.

"The decline in exports to the United States may just be a statistical reaction to the sharp 15.8 percent increase in March," he said.

Given growing signs of a firmer U.S. economy, especially strong consumption, a boom in Japanese exports could not be ruled out, Mr. Ueda said.

David Pike, an economist with the brokerage UBS/Phillips & Drew, said that "the pace of the reduction in the surplus is likely to slow."

Mr. Pike added that Japanese electrical and electronics manufacturers had "adjusted to the tougher competitive environment" and had introduced a range of new products from home facsimile machines to tiny television sets.

PAN AM: Eastern's Problems Are Aiding Rival on a Prized Shuttle Route

(Continued from first finance page)

to Texas Air for the rights to the shuttle business that its New York Air unit had held. New York Air had been the Eastern shuttle's sole competitor. To obtain government approval to buy Eastern, Texas Air had to code one of the shuttle businesses to another airline.

As Pan Am had hoped, the shuttle has helped it to increase travel on its international flights, which account for most of its business.

"If a business traveler gets in the Pan Am frequent-flyer program because he takes their shuttle, what airline do you think he will consider when it comes to the overseas trip?" said John V. Pincavage, an analyst at PaineWebber.

Pan Am can use all the help it can get. It had an operating loss of \$62 million in the first quarter, compared with a loss of \$51 million in the same quarter a year ago.

Eastern is hoping that its shuttle's ridership will rebound after the fears raised by the government safety investigation recede. The FAA is expected to complete its investigation of Eastern and Continental, another Texas Air subsidiary, next week. So far, the FAA said, it has not uncovered any significant safety problems.

"As far as the decline in the level of passengers on the shuttle is concerned, we expect that it's a temporary thing," Ms. Munro said.

But the safety investigation is not the only thing that has scared passengers away.

Eastern has also been plagued by service problems in recent months. Its labor difficulties have sparked an exodus of pilots, forcing Eastern to cancel numerous flights and angering passengers.

While the shuttle has not been

as safe anymore, I wouldn't take it for love or money," said Richard E. Palmer as he was about to board the Pan Am shuttle to Washington.

Mr. Palmer said he typically flew to Washington from New York and back once a week and had been a loyal Eastern customer until the FAA investigation.

Passengers interviewed at the Eastern shuttle terminal at La Guardia thought the FAA investigation did not mean that Eastern was less safe than other airlines.

Judging from the comments of shuttle passengers, safety concerns raised by the FAA investigation have hurt the Eastern shuttle more than concerns about service.

affected as much as other routes, some of its flights have been disrupted as well.

But judging from the comments of shuttle passengers at New York's La Guardia Airport last week, safety concerns raised by the FAA investigation have hurt the Eastern shuttle more than concerns about service.

Most said they preferred Eastern because its flights were more convenient. Eastern's planes leave every hour on the hour while Pan Am's leave every hour on the half-hour.

Before Pan Am entered the market, New York Air also had trouble breaking Eastern's grip on the hourly shuttle business, which Eastern began in 1960.

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CURRENCY MARKETS

Dollar Mainly Higher, Pound Rises

NEW YORK — The dollar finished mostly higher in thin trading today, supported by the covering of short positions before the week-end, while the British pound advanced, dealers said.

Dollar trading was thin as dealers began to position themselves for the scheduled Tuesday release of the U.S. trade figures for March.

The pound rose to \$1.8900 from \$1.8830 on Thursday.

But, against other currencies, the dollar rose to 1.6388 Deutsche marks, up from 1.6323 on Thursday, and to 124.78 yen, up from 124.55. It also gained against the Swiss franc, rising to 1.4010 from 1.3985, and against the French franc, advancing to 5.7080 from 5.7055.

The dollar drew support from rising stock and bond prices, dealers said, and from a statement by Clayton K. Yeutter, the U.S. trade representative, who said U.S. exports were competitive with the currency at its current level.

The securities markets moved higher after the government reported that wholesale prices rose just 0.4 percent in April. Although the increase was in line with expectations, the markets were cheered because most of the rise was in energy and food prices.

The increase in the pound followed a surge in European trading earlier in the day. The pound rose to its highest level in nearly two years against the mark in London, bringing the Bank of England into the currency market to try to stem its advance.

As in New York, the dollar edged higher against other currencies in London although it fell against the pound.

London Dollar Rates

Currency	Rate	Change
Deutsche mark	1.6388	+0.0065
French franc	5.7080	+0.0025
Japanese yen	124.78	+0.23
Swiss franc	1.4010	+0.0025
British pound	1.8900	+0.0070

Source: Reuters

A booming British economy and high interest rates compared with those in other countries have been attracting money to pound-denominated assets in recent weeks.

Dealers said the Bank of England sold pounds for dollars in morning trading in Europe, but the intervention was limited.

In London, the pound closed at 3.1825 DM, up from 3.1643 Thursday. The last time the British unit closed above 3.18 DM was July 24, 1986, when it ended at 3.1822, according to the Bank of England.

A European dealer in London said, "Japanese investors bought large amounts of sterling. That's a clear sign that the market is confident about the pound's direction." In Frankfurt, the pound rose to 3.1815 DM at the closing in quiet trading, up from 3.1615 on Thursday.

Dealers said pound-denominated assets were attractive to investors. "It's a strong currency and rising, and interest rates are high. What else do you want from a currency you put your money in?" asked a dealer for a U.S. bank.

But some traders warned that the pound could drop as quickly as it rose over the past few months. "If U.K. interest rates become less attractive one day, sterling will slump," one dealer said.

Against the U.S. currency in London, the pound rose to \$1.8910 from \$1.8845 Thursday.

But the dollar rose to 1.6380 DM from 1.6370 on Wednesday. It also gained against the yen, rising to 124.65 from 124.50; against the Swiss franc, advancing to 1.4005 from 1.3965; and against the French franc, climbing to 5.7040 from 5.6965.

Dollar trading remained slow around the world in advance of the trade report.

"Everything depends on the trade figures now," said a trader at a U.S. bank in London. Market forecasts predict a trade deficit of \$12.5 billion to \$13 billion, improving from the \$13.8 billion shortfall in February.

Some dealers said an unexpectedly large trade gap could knock the dollar out of its recent tight range and start a widely expected slide.

(Reuters, AFP)

Treasury Sales End Well

NEW YORK — The U.S. Treasury wound up its quarterly note and bond auctions on a modestly successful note as investors purchased \$8.5 billion of 30-year bonds at yields slightly below market expectations.

Analysts had fretted early in the week about prospects for the auction on Thursday, but they said demand from Japanese investors, who were active bidders at Wednesday's 10-year note sale, was surprisingly brisk. Domestic demand, however, was said to be light.

At the auction, the Treasury said its new bellwether issue sold at an average yield of 9.17 percent, the highest level in 15 months and well above the 8.51 percent yield on the bonds sold at the previous auction, on Feb. 4. But some analysts had predicted yields would rise to around 9.25 percent.

According to market participants, Japanese investment houses placed bids on 40 to 45 percent of the bonds sold Thursday.

The 30-year bond auction was the last leg of the three-part quarterly refunding, in which the Treasury auctioned \$26 billion of securities. It sold about \$8.7 billion of three-year notes on Tuesday at an average yield of 8.23 percent and \$2.75 billion of 10-year notes on Wednesday at an average annual return of 9.06 percent.

Aside from the successful completion of the Treasury auctions, credit market participants took some comfort in comments by Wayne Angell, a Federal Reserve System governor, who indicated that the central bank was not likely to try to raise interest rates significantly.

LAWSON: Rift With Thatcher on Economy Policy Threatens to Force Britain's Chancellor Out of Office

(Continued from Page 1)

by refusing to endorse her chancellor and sustain the best trading interests of Britain.

According to other observers, the conflict is also creating confusion among finance ministers from the Group of Seven industrial nations regarding Britain's strategy on the pound and interest rates. As a senior aide to a non-British central banker said last week, "It looks kind of silly to have Nigel Lawson promoting a grand scheme of managed float exchange rates for the world economy in a speech last September in Washington, when back in London he can't even bring

his own government on board." Finance ministers from the Group of Seven — the United States, West Germany, Japan, Britain, France, Canada and Italy — agreed in February 1987 to promote currency stability through coordinated intervention on foreign exchange markets. That agreement, the so-called Louvre Accord, is supposed to be reconfirmed at an informal meeting of the ministers next month in West Berlin.

It is increasingly evident, though, that Britain no longer speaks with one voice. Mrs. Thatcher, a noninterventionist, wants the pound to float freely in reaction to market forces, while Mr. Lawson wants to link sterling to the Deutsche mark, and to some extent to the dollar, within "managed floating" ranges.

Mrs. Thatcher also wants to keep the pound free from formal links to the eight-currency European Monetary System, which is dominated by the mark. Mr. Lawson argues for full participation in the EMS.

In a recent article in the *Financial Times*, Mr. Lawson said earlier this week that a coordinated international interest rate increase was

Business Council Sees Fall in Dollar

HOT SPRINGS, Virginia — The Business Council predicted Friday a drop in the U.S. trade deficit this year by more than \$20 billion but said that would not stop a further fall in the dollar.

The council, made up of 100 chief executives of leading U.S. corporations, forecast in a report on the economy that the 1988 trade deficit would be less than \$150 billion, compared with \$171 billion in 1987.

However, it said it expected the dollar to drop from about 125 yen now to 119 by the end of 1988 and to 115 by the end of 1989.

Many executives found that current exchange rates made their products competitive abroad.

But "the improvement in the U.S. trade accounts will not be sufficiently large and convincing to prevent a further slide in the dollar," the council said.

The council thought that "unless the economy showed other clear signs of overheating," U.S. author-

ities would let the dollar slip rather than resort to sharply higher interest rates to attract money to dollar assets and prop it up.

That policy, some economists say, could risk recession.

Even though a weaker dollar may eat into exporters' earnings in other nations, the council is predicting expansion in leading industrial economies other than the United States over the next two years by about one-half percent from its last report, in February.

The business put European growth at 2 to 3 percent in 1988 and 1989.

In an overall view of the U.S. economy, John S. Reed, chairman of Citicorp, said committee members "are feeling rather good about the economy in its present state."

One reason, he said, was that more of the growth in the economy was being generated by exports and investments in plant and equipment and less by government spending.

The council report saw the U.S.

economy continuing to grow rapidly this year but said there was an even chance that the strong expansion would abate in coming months.

If, however, expansion did not ease, it could produce a rise in interest rates and the prospect of a recession before the end of 1989.

The report expressed some concern about inflation, citing the tight labor market as well as the federal budget deficit.

"The fiscal deficit is forecast at \$154 billion in both fiscal 1988 and fiscal 1989, which is disturbingly high in a period of full employment," the report said.

It estimated gross national product this year at about 3 percent above 1987, but said that some slowdown could be expected because the existing industrial capacities and the pool of excess labor were exhausted.

GNP measures the total value of a nation's goods and services, including income from foreign investments.

Mr. Lawson's remark helped trigger a major sell-off in world stock and bond markets, leaving West German rates unchanged and the pound still vulnerable to upward pressure, as was seen Friday.

That pressure, which could be fueled further by what some analysts predict will be a much improved British trade performance for April, is expected to bring the Thatcher-Lawson dispute to some kind of resolution: either an acknowledgment by Mrs. Thatcher that Mr. Lawson calls the shots on exchange rate and interest rate policy, or the raising of the white flag from Mr. Lawson's corner and his exit to the private sector.

Geoffrey Dennis, an economist with the brokerage James Capel & Co., said he believed Mr. Lawson had primarily intended the remark to support his policy of retreating in the pound.

"He was trying to put the lid on sterling by raising the possibility of interest rate rises," Mr. Dennis said, noting that an increase in West German rates would make mark-denominated assets relatively more attractive than pound-denominated assets.

Mr. Lawson's remark helped trigger a major sell-off in world

Friday's OTC Prices

NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 1200 most traded OTC securities. It is updated twice a year.

Via The Associated Press

12 Month High	Low	Div. Yld.	100s	High	Low	4 P.M. CHG
124.78	124.55	0.00	100	124.78	124.55	+0.23
1.8900	1.8845	0.00	100	1.8900	1.8845	+0.0055
1.6388	1.6323	0.00	100	1.6388	1.6323	+0.0065
5.7080	5.7055	0.00	100	5.7080	5.7055	+0.0025
3.1825	3.1643	0.00	100	3.1825	3.1643	+0.0182

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